

中國冶金科工股份有限公司

METALLURGICAL CORPORATION OF CHINA LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 1618

* For identification purpose only

2015 ANNUAL REPORT

IMPORTANT NOTICE

- I. The Board and the Supervisory Committee of the Company and its directors, supervisors and senior management members warrant that there are no false representations, misleading statements contained in or material omissions from the information set out in this annual report, and they severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of its contents.
- II. All Directors of the Company attended the 19th meeting of the second session of the Board convened from 28 March to 29 March 2016.
- III. Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) issued a standard unqualified audit report to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, a Vice President and the Chief Accountant of the Company, and Fan Wanzhu, the Head of the Financial Planning Department have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- V. During the Reporting Period, the proposal for profit distribution or transfer of capital reserve to share capital was considered by the Board

The net profit attributable to shareholders of listed Company in the audited consolidated statement of MCC in 2015 amounted to RMB4,801.5618 million and the undistributed profit of MCC headquarters amounted to RMB1,394.3244 million. Based on the total share capital of 19.11 billion shares at the end of the year, the Company proposed to distribute cash dividend of RMB0.55 (tax inclusive) for every 10 shares to all shareholders and total cash dividend will amount to RMB1,051.0500 million, accounting for 21.89% of net profit attributable to shareholders of listed Company in the consolidated statement. The remaining undistributed profit of RMB343.2744 million will be rolled over to the coming year for distribution. The implementation of the aforementioned profit distribution plan shall be subject to consideration and approval at shareholders' meeting.

- VI. Statement for the risks involved in the forward-looking statements
The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors are reminded of investment risks.
- VII. Is there any misappropriation of non-operating funds by the controlling shareholders and their related parties
No
- VIII. Is there any external guarantee made in violation of the required decision-making procedures
No
- IX. Warning of major risks
 1. International and domestic macroeconomic trends
All business operations of the Company are affected by the international and domestic macroeconomic environments. Macroeconomic trends inside or outside China may have an impact on various business segments of the Company, including procurement, production and sales, thereby causing fluctuations in the Company's operating performance. The Company's operating incomes are mainly derived from the domestic market. Its business operations may perform differently in various domestic economic cycles.
 2. Changes in policies of the industry in which the Company was involved and demands of its domestic and overseas markets
The Company's engineering contracting, property development, equipment manufacture and resource development businesses are affected by the policies of the industry in which the businesses were involved. In recent years, the future business focus and strategic layout of the Company have been guided, to a certain extent, by the PRC's industrial control over the steel and iron industry, the PRC's plan on adjusting and revitalizing the iron and steel and equipment manufacturing industries, the PRC's industrial policies on resource development and the property market, as well as the periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, thereby affecting the Company's financial position and operating performance. Due to the change in industrial policies, the overall demand for the engineering contracting services provided by the Company were affected. The metallurgical equipment, resource development products, and ordinary residences, etc. were also affected, to a certain extent, by the change in demands of the relevant markets, which in turn affected the financial position of the Company.
- X. Others

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

DEFINITIONS

In this report, unless the context otherwise requires, the following expressions have the meanings as follows:

“the Company, MCC”	Metallurgical Corporation of China Ltd.*
“China or PRC”	the People’s Republic of China, excluding, for the purposes of this document, Hong Kong, Macao and Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“MOHURD”	Ministry of Housing and Urban-Rural Development of the People’s Republic of China
“CSRC”	the China Securities Regulatory Commission
“Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shanghai Listing Rules” or “A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange*
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder, MCC Group”	China Metallurgical Group Corporation
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of directors of Metallurgical Corporation of China Ltd. *
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director, Independent Non-executive Director”	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2015 to 31 December 2015
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars

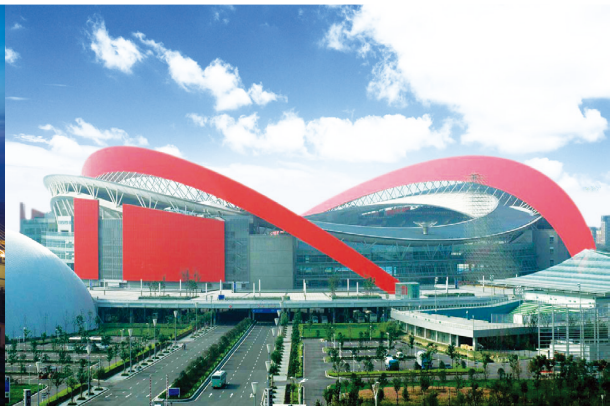
DEFINITIONS

"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
"SFO or Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Corporate Governance Code"	the revised Corporate Governance Code contained in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange, which took effect from 1 April 2012
* <i>For identification purpose only</i>	



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CHAIRMAN'S STATEMENT



Chairman

Guo Wenqing

CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

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

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

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

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

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

周文清

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

MCC was established by China Metallurgical Group Corporation and Baosteel Group Corporation on 1 December 2008 and was listed on the main board of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 21 September 2009 and 24 September 2009, respectively.

MCC is one of the largest comprehensive groups of engineering and construction in the PRC and the world. MCC Group, which holds the Company as its core asset, ranked the 326th among the 2015 Fortune Global 500 companies.

At present, the A Shares of the Company have been selected to be a constituent stock of, among others, the SSE State-owned Enterprises Index, CSI Infrastructure Index, SSE 180R Growth Index, SSE Market Value Top 100 Index and One Belt, One Road Index, etc.; while the H Shares have been selected to be a constituent stock of, among others, FTSE China 50 Index, S&P China BMI Index, Bloomberg Industrial Global Index, Hang Seng China AH A+H Index, Bloomberg Asia Pacific Engineering and Construction Industry Index, etc.

Specific information of the Company is set out below:

I. CORPORATE INFORMATION

Company name (in Chinese)	中國冶金科工股份有限公司
Abbreviation in Chinese	中國中冶
Company name (in English)	Metallurgical Corporation of China Ltd.*
Company name (in English)	MCC
Legal representative of the Company	Guo Wenqing

II. CONTACT PERSON AND CONTACT METHODS

Secretary to the Board	Xiao Xuewen
Company secretary	Lin Xiaohui
Address	MCC Tower 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Telephone	+86-10-59868666
Facsimile	+86-10-59868999
E-mail	ir@mccchina.com

III. BASIC INFORMATION

Registered address	28 Shuguang Xili, Chaoyang District, Beijing
Postal code of registered address	100028
Business address in the PRC and postal code	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC (100028)
Place of business in Hong Kong	Room 3205, 32/F Office Tower, Convention Plaza 1 Harbour Road Wanchai, Hong Kong
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
Address of H Share registrar and transfer office	17M Floor, Hopewell Centre, 183 Queen's Road East Wanchai, Hong Kong
Website address of the Company	http://www.mccchina.com
E-mail	ir@mccchina.com

* For identification purpose only

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media of A Share information disclosure designated by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publication of an annual report	http://www.sse.com.cn
Place where an annual report of the Company is available for inspection	MCC Tower 28 Shuguang Xili, Chaoyang District, Beijing, PRC

V. SHARES OF THE COMPANY

Types of Shares	Stock exchanges of listing	Stock abbreviation	Stock codes
A Shares	Shanghai Stock Exchange	MCC	601618
H Shares	The Stock Exchange of Hong Kong Limited	MCC	1618

VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)
	Office address	8th Floor, Tower W2, The Towers, Oriental Plaza 1 East Chang An Avenue, Beijing, PRC
	Signing auditors	Ma Yan Mei, Chen Wen Long
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	23/F, CITIC Securities Tower 48 Liangmaqiao Road, Chaoyang District, Beijing
	Signing representatives of sponsor	Zhang Jian, Ding Yongcai
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for an initial public offering of A Shares of MCC on 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the A Share proceeds raised have not been fully utilized, CITIC Securities Company Limited continues to keep an eye on the use of such A Share proceeds by MCC, and performs the relevant continuous supervisory duty after the expiry of continuous supervisory period.
PRC legal advisor appointed by the Company	Name	Beijing Dacheng Law Office
	Office address	7/F, Parkview Green FangCaoDi No. 9, Dongdaqiao Road, Chaoyang District Beijing, China
Overseas legal advisor appointed by the Company	Name	Latham & Watkins
	Office address	18th Floor, One Exchange Square 8 Connaught Place Central Hong Kong

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS IN RECENT THREE YEARS

(I) Major accounting data

Unit: RMB'000

Major accounting data	2015	2014	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2013
Operating revenue	217,323,972	215,785,772	0.71	202,690,241
Net profit attributable to shareholders of the Company	4,801,562	3,964,938	21.10	2,980,864
Net profit attributable to shareholders of the Company after deducting non-recurring profits and losses	3,820,734	2,867,136	33.26	1,913,554
Net cash flow generated from operating activities	15,357,382	14,969,027	2.59	20,022,146
	At the end of 2015	At the end of 2014	Increase/ decrease at the end of the period as compared to the corresponding period of the previous year (%)	At the end of 2013
Net assets attributable to shareholders of the Company	60,557,630	47,337,257	27.93	44,541,300
Total assets	343,762,819	325,978,479	5.46	322,884,439
Total share capital at the end of the period	19,110,000	19,110,000	0	19,110,000

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

(II) Major financial indicators

Major financial indicators	2015	2014	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2013
Basic earnings per share (RMB/Share)	0.24	0.21	14.29	0.16
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.19	0.15	26.67 Increased by 0.83 percentage point	0.10
Weighted average return on net assets (%)	9.46	8.63	Increased by 1.21 percentage points	6.95
Weighted average return on net assets after deducting non-recurring profits and losses (%)	7.45	6.24		4.46

(III) Financial highlights

1. OVERVIEW

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

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

2. REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

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

- (1) *Engineering contracting business*
Segment revenue amounted to RMB186,304 million, representing an increase of RMB7,888 million or 4.42% from RMB178,416 million in 2014.
- (2) *Property development business*
Segment revenue amounted to RMB19,441 million, representing a decrease of RMB3,412 million or 14.93% from RMB22,853 million in 2014.
- (3) *Equipment manufacture business*
Segment revenue amounted to RMB9,271 million, representing a decrease of RMB964 million or 9.42% from RMB10,235 million in 2014.
- (4) *Resource development business*
Segment revenue amounted to RMB3,015 million, representing a decrease of RMB1,249 million or 29.29% from RMB4,264 million in 2014.
- (5) *Other businesses*
Segment revenue amounted to RMB2,647 million, representing a decrease of RMB452 million or 14.59% from RMB3,099 million in 2014.

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

3. SUMMARY OF FINANCIAL STATEMENTS

The following is a summary of financial information prepared in accordance with CAS:

- (1) *Consolidated Income Statement (for the year ended 31 December 2015)*

Unit: RMB'000

Item	Note	Amount for the current year	Amount for the prior year
I. Total operating revenue		217,323,972	215,785,772
Including: Operating revenue	VII 52	217,323,972	215,785,772
II. Total operating cost		213,089,921	211,526,719
Including: Operating costs	VII 52	188,817,361	187,884,556
Business taxes and levies	VII 53	5,597,162	5,712,644
Selling expenses	VII 54	1,512,225	1,500,231
Administrative expenses	VII 55	10,067,076	9,108,267
Financial expenses	VII 56	2,526,563	4,022,637
Impairment losses of assets	VII 57	4,569,534	3,298,384
Add: Gains from changes in fair value (losses)	VII 58	(30,445)	(22,473)
Investment income	VII 59	1,735,160	1,053,667
Including: Losses from investments in associations and joint ventures		(153,731)	(96,238)

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Item	Note	Amount for the current year	Amount for the prior year
III. Operating profit		5,938,766	5,290,247
Add: Non-operating income	VII 60	1,375,811	1,699,134
Including: Gains from disposal of non-current assets		226,649	123,154
Less: Non-operating expenses	VII 61	171,441	284,076
Including: Losses from disposal of non-current assets		46,861	36,318
IV. Total profit		7,143,136	6,705,305
Less: Income tax expenses	VII 62	2,194,392	2,363,950
V. Net profit		4,948,744	4,341,355
Net profit attributable to shareholders of the Company		4,801,562	3,964,938
Profit or Loss attributable to non-controlling interests		147,182	376,417
VI. Other comprehensive income, net of income tax	VII 63	(366,993)	108,064
Other comprehensive income attributable to shareholders of the Company, net of income tax		(391,101)	117,624
(I) Items that will not be reclassified subsequently to profit or loss		(398,024)	(136,289)
1. Re-measurement of defined benefit obligations		(398,024)	(136,289)
(II) Items that may be reclassified subsequently to profit or loss		6,923	253,913
1. Net(loss) gain on revaluation of available-for-sale financial assets		22,935	133,790
2. Exchange differences on translating foreign operations		(16,012)	120,123
Other comprehensive income attributable to non-controlling interests, net of income tax		24,108	(9,560)
VII. Total comprehensive income		4,581,751	4,449,419
Total comprehensive income attributable to shareholders of the Company		4,410,461	4,082,562
Total comprehensive income attributable to non-controlling interests		171,290	366,857
VIII. Earnings per share	XV 3		
(I) Basic earnings per share (RMB/Share)		0.24	0.21
(II) Diluted earnings per share (RMB/Share)		-	-

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

(2) Summary of Consolidated Total Assets and Total Liabilities at the end of 2015

Unit: RMB'000

	As at 31 December 2015	As at 31 December 2014
Total assets	343,762,819	325,978,479
Total liabilities	272,607,795	267,953,971
Total equity	71,155,024	58,024,508

VIII. DIFFERENCE IN ACCOUNTING DATA BETWEEN DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

(I) Difference in net profit and net asset attributable to Shareholders of the Company under financial reports between IFRS and PRC GAAP

Applicable Not Applicable

(II) Difference in net profit and net asset attributable to Shareholders of the Company under financial reports between overseas accounting standards and PRC GAAP

Applicable Not Applicable

IX. MAJOR FINANCIAL DATA IN 2015 ON QUARTERLY BASIS

Unit: RMB'000

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

X. NON-RECURRING PROFIT AND LOSS ITEMS AND THEIR AMOUNTS

Unit: RMB'000

Non-recurring profit and loss items	Amount in 2015	<i>Note (if applicable)</i>	Amount in 2014	Amount in 2013
Profit or loss on disposal of non-current assets	179,788	Note XVII	86,836	240,639
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature	0	–	0	0
Government grants recognized in profit or loss (except for the government grants that are closely related to the business of the Company and received in accordance with the uniform state's regulations)	676,858	Note XVII	1,066,485	613,922
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	0	–	0	0
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	90,147	Note XVII	0	138
Profit/loss of non-monetary asset swap	0	–	0	366
Profit/loss from entrusted investment or asset management	0	–	0	0
Provision for impairment of assets due to force majeure i.e. natural disaster	0	–	0	0
Profit/loss from debt restructuring	0	–	0	(9,332)
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	0	–	0	0

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Non-recurring profit and loss items	Amount in 2015	<i>Note (if applicable)</i>	Amount in 2014	Amount in 2013
Profit/loss from the excess of the fair value of a transaction of unfair consideration	0	–	0	0
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	0	–	0	0
Profit/loss from contingencies irrelevant to the normal operations of the Company	0	–	(5,752)	(12,741)
Change of fair value of financial assets (liabilities) at FVTPL and profit or loss of disposal of financial assets (liabilities) at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under company's normal operating business	56,681	Note XVII	32,134	64,212
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	0	–	0	0
Profit/loss from external entrusted loans	0	–	4,960	27,556
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	0	–	0	0
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	0	–	0	0
Income of entrustment fees from entrusted operations	0	–	0	0
Other non-operating income or expenses other than the above items	257,577	Note XVII	267,489	42,076
Other profit and loss items that fall within the meaning of non-recurring profit and loss	107,478	Note XVII	14,558	393,900
Impact on non-controlling interests	(231,600)	Note XVII	(142,318)	(107,776)
Impact on income tax	(156,101)	Note XVII	(226,590)	(185,650)
Total	980,828	–	1,097,802	1,067,310

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

XI. ITEMS MEASURED UNDER FAIR VALUE

Unit: RMB'000

Item	Balance at the beginning of the period	Balance at the end of the period	Changes during the period	Impact on the profit of the current period
Financial assets at fair value through profit or loss	555	1,410,011	1,409,456	2,426
Derivative financial assets	18,532	0	(18,532)	(18,532)
Available-for-sale financial assets	586,659	580,449	(6,210)	26,346
Derivative financial liabilities	0	14,339	14,339	(14,339)

I. EXPLANATION FOR PRINCIPAL BUSINESSES, OPERATING MODEL OF THE COMPANY AND THE INDUSTRY DURING THE REPORTING PERIOD

(I) Engineering Contracting Business

1. Industry Overview

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

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

In relation to the market of non-metallurgical engineering contracting, as the state has strengthened the reform of supply side markets, national strategies and guidelines including the construction of "One Belt, One Road", the synergetic development of the Beijing-Tianjin-Hebei Region (京津冀協同發展) and the construction of the Yangtze River Economic Belt, this has encouraged a new round of investment in the PRC and became a driver for the growth of economy. The progress of urbanization was accelerated and the house construction and infrastructure construction markets developed at a continuous and rapid pace. During the year of 2015, the investment of property development in China amounted to RMB9,597.9 billion, representing a year-on-year growth of 1.0%. Gross floor area under construction by property developers was 7,356.93 million square meters ("sq.m."), representing a year-on-year growth of 1.3%; gross floor area of new homes construction was 1,544.54 million sq.m., representing a year-on-year decrease of 14.0%. In 2015, investment in infrastructure construction (excluding electric power construction) in China amounted to RMB10,127.1 billion, representing a year-on-year growth of 17.2%.

2. The Operating Results of the Segments

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

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The demand for the “multiplier” and “accelerator” of the urban infrastructure constantly increased, leading to the advent of trillion-dollar level investments in the development of relevant industries. In 2015, the Company liberated its mindsets, kept up with the times, proposed “building the updated version of ‘Four Beams and Eight Pillars’ business system, recreate ‘a better MCC’”, clarified the new market and product position, adjusted its organizational structure and operating strategies, concentrated its advantageous resources, endeavored to promote reformation in its operating methods and established an interrelated and complementary “Four Beams and Eight Pillars” integrated business system, with significant operational synergy taking engineering contracting, equipment manufacture, property development and resource development as “beams” and taking metallurgical engineering, premium property construction, mine construction and development, mid-end and high-end property, transport and municipal infrastructure, core technical equipment and MCC steel structure, environmental engineering and alternative energy, special engineering as “pillars”. The Company carried out strategies and development surrounding the three major strategies and four major zones of the state, adequately utilized the enormous composite force of “three forces in one” comprising the headquarters of the Company, subsidiaries and regional branches, strengthened the design and operation of macro environment, heavyweight clients and mega projects, captured key opportunities for the new round of investments in the state, and occupied the dominant position of the market and the Company successfully realised the transformation from a metallurgical construction service provider to an expert of overall planning, design and construction for urban construction. Other construction fields including premium property construction, transport and municipal infrastructure, environmental engineering and alternative energy, special engineering, underground comprehensive pipeline corridors and smart cities became new predominant fields and mainstay industries of the Company, which possessed predominance of unique design for construction technique and the Company successively completed series of significant projects within and outside the state with industry influences. For the last two years, newly signed contracts for non-metallurgical engineering steadily maintained 80% or above of the new contracts in the major business of the Company evidencing the plentiful harvest of the structural adjustment to construction products and transformation and upgrade which further enhanced the capability to withstand market risks. During the Reporting Period, the new construction contracts of the Company amounted to RMB359.269 billion, exceeding RMB1 billion of more than 57 substantial construction projects, among which, new metallurgical engineering contracts amounted to RMB60.858 billion and non-metallurgical engineering contracts amounted to RMB298.411 billion.

The overall operating results of the engineering contracting business in 2015

Unit: RMB'000

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

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

(1) *Metallurgical Engineering*

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

(2) *Transport and municipal infrastructure*

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

(3) *Environmental engineering and alternative energy*

With the national emphasis on environmental protection and with new environmental laws and other environmental policies being rolled out, more stringent requirements for pollutant emissions and corporate governance have been proposed, and the market of environmental protection is huge. Over the years, the Company has researched and developed a large number of environmental technology achievements which gained good economic and social benefits. This provided a strong support for the upgrading of China's iron and steel industry. Meanwhile, the Company also vigorously developed the field of municipal environmental protection and new energy with the ability to provide a full process services of technology research, consultation, design, equipment supply, project contracting, commissioning and project management and engineering operation management to comprehensive treatment of municipal waste, municipal pipe network construction for water, electricity and heating utilities, sewage treatment, photovoltaic power generation. The Company has become a construction contractor, equipment supplier and investment and operation service provider with strong strength and large brand influence in the field of environmental engineering and alternative energy. During the reporting period, the Company continued to put more efforts in environmental engineering and alternative energy. The Company's development on environmental engineering and alternative energy has achieved remarkable economic and social benefits. During the reporting period, a number of significant environmental projects were newly signed, such as General Contracting Project for Yunnan Kunming 60MWP Net Photovoltaic Power Generation (雲南昆明60MWP並網光伏發電總承包項目), Baosteel Flue Gas Purification Project of Sintering Overhaul in Iron-making Plant (寶鋼煉鐵廠燒結大修改造煙氣淨化工程), Sewage Treatment Project of Liaoning Agricultural High-Tech Zone (遼寧農業高新區污水處理項目) and Comprehensive Energy-saving Technological Renovation Project of Waste Heat Recovery Power Generation from Flue Gas of Wuhan Iron and Steel Group Echeng Iron and Steel (武鋼集團鄂城鋼鐵煙氣餘熱回收發電綜合節能技術改造項目).

(4) *Premium property construction*

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

(5) *Special engineering*

With the rapid development of the modern economy and culture, special engineering have become a nascent unique industry with wide market prospects. The Company holds the only domestic theme park professional design institute. It is an expert in the field of theme parks with Universal Studios Singapore Sentosa project as its representation, the Company successfully cooperated with developed countries on a number of large theme park projects, and promoted "Made in China" in terms of the design, raw materials and construction of theme parks, which greatly reduce the cost of theme park construction. The Company establishes solid innovative thinking, digs into the culture deeply and keeps strengthen the capability of independent innovation in order to integrate its advantages in resources, and stand out in construction of special engineering by strong scientific research strength and rich cultural heritage. In recent years, the Company has contracted to build a number of themed projects, such as the general contracting construction project of the Adventureland and Tomorrowland of Shanghai Disney Resort (上海迪士尼度假區探險島、明日世界施工總承包項目), Zhuhai Chimelong Ocean Kingdom (珠海長隆海洋王國), Wuhan Wanda Movie Park (武漢萬達電影樂園) and Huai'an Cultural Experience Park of Journey to the West (淮安西游記文化體驗園), which have been widely recognized by the community, leading the Company to further establish its leading position in the special engineering construction industry.

(6) *Municipal integrated subterranean piping systems*

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

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

in respect of integrated piping system with a number of provincial and municipal governments in Guizhou Province, Shenzhen City, Kunming City and others, and has won the tender of piping system projects which tendered by a number of cities, such as Baiyin of Gansu, Baotou of Inner Mongolia, Siping of Jilin, Zhuhai of Guangdong, Shenyang of Liaoning and others. In the first batch of integrated piping systems projects in national pilot cities which has confirmed the constructing and building unit of three blocks, the Company has accounted for two seats exclusively, showing a strong momentum of development for developing piping system market.

(7) *Sponge city, beautiful countryside and intelligent city construction*

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

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

In the sponge city construction, the Company has taken the relevant technologies in research and development as an engine, preparing “China Metallurgical Sponge City Infrastructure Standard Atlas” and promptly promoting the industrialization of research achievements. It fully participated in the nation-building pilot project of sponge city construction in Wuhan, actively contracting the planning, design and construction of three projects of Main Canal Park Project in Wuhan West Optics Valley Centre (武漢市光谷中心城西幹渠公園工程), Widening Construction, Ecological Renovation and Upgrading Water Quality Works of Ten-miles Long Canal in Qingling (青菱十里長渠拓寬工程、生態改造及水質提升工程), Infrastructure Construction and Ecological Restoration of Gutian Eco-town (古田生態新城基礎設施建設及生態修復), which amounted to a total investment amount of over RMB10 billion; and gained good social and economic benefits. Sponge city construction has become an important part of the company layout to the emerging industry.

In the beautiful countryside and intelligent city construction, as another important supporting business in emerging industry, the Company has relied on its resource superiority and strong technical storage, integrating with the demand of rural resources and urban development to actively carry out the construction of new rural and intelligent city through conducting a systematic and thorough study in terms of rural resources evaluation system, rural development and operation management, construction of rural public services and infrastructure, information technology of intelligent city, intelligent green energy, intelligent transportation hubs and intelligent parks, the Company dedicated to improve the rural living environment, protect and renovate the folk style, integrate the information technology into the urban construction and operation in order to facilitate the rural economic development and create a harmonious interaction between the city

and residents. The Company has also successfully implemented of a number of representative typical projects, such as Qi Cai Valley Agricultural Sightseeing Park in Chongqing Yubei (重慶渝北奇彩山谷農業觀光園), Guizhou Daozhen Dashahe International Tourist Resort (貴州道真大沙河國際旅遊度假區), Internet Industrial Park in Chongqing New North Zone (重慶市北部新區互聯網產業園), Shanghai New Hongqiao International Medical Center (上海新虹橋國際醫學中心). The Company has become an important force in the country of beautiful countryside and intelligent city construction.

(8) Overseas Construction Market

① Overseas Market Operation of the Company

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

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

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

② Overseas Projects of the Company

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

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

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

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

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

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

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

The Company has great emphasis on the steel market in Iran, Turkey and Egypt. The Company has undertaken the construction of the new steel production plant project of Kardemir in Turkey, which has established a solid market foundation and reputation. The Company expects that upon the expiry of the sanctions, Iran will be dedicated to the development of the steel industry and construction of infrastructure. In this regard, the Company will leverage its strength as a nationally-leading company in terms of steel technologies to devote great endeavors to the development of the Iranian market. In Egypt, the Company is keeping track of several projects of production capacity cooperation and renovations for steel power plants as well as the establishment of new capital cities and projects of theme parks with an aggregate contract value of US\$1 billion.

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

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

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

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

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

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

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

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

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

③ The Overseas Strategy of the Company for 2016

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

- Construction of economic corridor around the PRC, Inner Mongolia and Russia with strategies carried out mainly in Russia and Kazakhstan and accelerating the establishment of Kazakhstan representative office to focus on the mid-Asia market;
- New bridge between Asia and Europe and economic corridor connecting the PRC, mid-Asia and west Asia with strategies carried out mainly in 5 countries, namely Iran, Turkey, Kuwait, Saudi and United Arab Emirates;
- Construction of economic corridor between the PRC and Pakistan and Bengal, the PRC, India and Myanmar with strategies carried out mainly in Sri Lanka, Pakistan, India and Myanmar and an attention on the projects of Bengal government;
- Construction of economic corridor around the PRC and Indochina with strategies carried out mainly in 5 countries in the southeast Asia, namely Indonesia, Malaysia, Singapore, Vietnam and Cambodia (Thailand);
- Enhancement of the development in Africa and intention to regard Egypt, South Sudan, Mozambique as important countries besides Algeria and South Africa which the strategies were previously positioned; adjustment to regard Tanzania market as a normal class country; focus on markets including Gabon, Zimbabwe and Nigeria;
- Enhancement of the focus on the market of Bolivia and Cuba other than the continuous strategy in Brazil and Venezuela, consideration on whether to regard these countries as important countries based on the situation;
- Maintenance of the performance in Hong Kong and Macau housing and infrastructure market especially the cooperation market between the PRC, Hong Kong and Macau with Hengqin the free trade zone and a continuous regard to Australia and Saipan as important countries with focus on The Territory of Guam and surrounding markets.

④ Overseas business operating plan for 2016

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

⑤ Overseas business measures for 2016

- The Company will closely follow the “One Belt, One Road” state strategy and seize the development opportunities brought by the national steel and iron and infrastructure along the “One Belt, One Road” with the equal focus on the development of steel and iron and non-metallurgical market. By carrying out key analysis and strategies for 28–30 countries, the Company will identify the responsible corporates and implement operation standards while developing cohesively with national teams in order to realise an impressive growth in overseas market development.
- The Company will enhance the operation of projects by adequately utilizing the supporting policies for financial institutions including overcapacity elimination, AIIB, Silk Road Fund, and strive to develop parks and external investment and production capacity cooperation projects of the PRC corporates under the opportunity brought by combination between industry and finance and production capacity cooperation in order to improve the overall profitability and risk resistance capacity.
- The Company will strengthen the power of overseas institutions and regional companies by enhancing the localization input and developing markets with adequate utilization of local staff.
- The Company will adequately utilize the agent operation and endeavor after high-end and high-return projects.
- The Company will strength the management of projects in progress, control the operation risk of projects and maintain the existing market through improving the projects in progress while expanding and occupying new markets and constantly improving its market share.
- The Company will cultivate and recruit tremendous talents and operate high-end projects with the tremendous talent teams.
- The headquarters shall enhance its support to subsidiaries for market development and project management with full support to the market development of the subsidiaries and conduct forward looking risk estimation for substantial projects in progress which shall form an important part for market development and control.

(II) Property development business

1. *Industry Overview*

In 2015, under the pressure brought by the downturn of macro-economy and the background of “new normal”, the government valued more on the substantial impact of real-estate on promoting consumption boosting investment and insisted on the keynote of promoting consumption and inventory reduction for real-estate policies with frequent promulgations of easing policies for both supply and demand sides, resulting in a significant improvement in the policy environment of the industry operation and offset the adverse impacts caused by the macro-economy downturn to a certain extent which promoted a stable growth in the market volume and value. In such process, the financial and credit policy remained as the key influence whereas the interest rate reduction and reserve requirement ratio cuts, downward adjustment of first instalment and mitigation of provident fund lowered the cost for purchasing properties. Followed by the support of fiscal policy, the market demand was significantly released. In general, the turnaround trend of the entire property market was obvious. However, viewing from the city tier, different property markets showed diverse development trends: The influence of the policies on tier 1 and certain tier 2 cities were more significant and the improvement on the demand were obviously released with gradually lower inventory pressure, occurrence of the upward trend of property price, stable recovery of land market and overall uprising floor price due to their own advantages on economy and industry with greater demand for properties, concentrated wealthy people and immense buying power; the impact on tier 2, tier 3 and tier 4 cities were unobvious and the market performance was sluggish without incentive due to the restriction on economy, industry development and absorb capability of the population, which still required an assistance of further mitigation policies.

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

2. *The Operating Results of the Business*

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

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

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

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

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

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

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

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

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

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The overall operating results of the property development business in 2015

Unit: RMB'000

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

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

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

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

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

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

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

The total area of Land No. 3 was 322,900 sq.m., the nature of the land use includes the uses of mixed residential, commercial and financial, cultural and recreational, nursery and kindergarten, and mixed business office with a floor area of approximately 890,400 sq.m. and an unlimited underground area, each land has a plot-ratio of 1.0 to 13.7, controlled building height of 24m to 300m. Land no.3 project was divided into two-phase construction, namely General Phase I and General Phase II, of which General Phase I (Project Fangjiaying (方家營項目), Project Binjiang (濱江項目) and Project Hutchison Matheson (和記洋行項目)) already commenced development where construction of certain land parcels was commenced at present. General Phase II was yet to commence development as it was currently under the positioning stage of initial planning.

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

(III) Equipment Manufacture Business

1. Industry Overview

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

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

2. The Operating Results of the Business

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

The overall operating results of the equipment manufacture business in 2015

Unit: RMB'000

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

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

Due to the sluggish environment in the entire metallurgical equipment manufacture industry, the equipment manufacture of the Company did not live up to the expectations. Therefore, the Company has seriously analysed the requirements of upgrading reform of the metallurgical equipment manufacture industry with the background of "clear overcapacity" of the Chinese iron and steel industry; analysed the leading edges in pushing forward the iron and steel industry by means of a retreat from cities, environmentally-friendly reform and product upgrade so as to make strategic deployment of the equipment manufacture and accelerate the technologies of metallurgical engineering of iron and steel. In addition, the principles of "refining" and "streamlining" and the adherence to the "professional" development direction are encapsulated in the deep integration and continuous enhancement of production (craftsmanship) and equipment technology. Low-end production enterprises with low competitiveness and technology shall be eliminated immediately, and only a small number of high-end production enterprises being able to support the national business of the first progression ladder can survive. In the end, intelligent equipment products shall treat equipment as a carrier, integrating core craftsmanship and technology of model control, and advanced technology as a representative, and step up the comprehensive application in the market in order to become a real "hard support of the national construction of metallurgical iron and steel" enhancing international competitiveness and positioning at top-notch among the iron and steel enterprises on a global scale.

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

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

(IV) Resource Development Business

1. Industry Overview

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

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

(1) Iron ore

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

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

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

(2) *Non-ferrous metal*

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

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

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

As the major consumer of non-ferrous metal, China will still maintain an increasing trend in the future. The non-ferrous metal market will maintain a regular change and the prices will fluctuate over time.

2. The Operating Results of the Business

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

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

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

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

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

The overall operating results of the resource development business in 2015

Unit: RMB'000

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

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

(1) *Project under production*

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

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

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

(2) *Project under construction and project under preliminary feasibility stage*

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

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

II. MATERIAL CHANGES OF MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

During the Reporting Period, there were no material changes in the major assets of the Company.

III. 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 new metallurgical industry, MCC has accumulated over 60 years of technology experience, forming the core competitiveness for sustainable development, mainly achieved in the following aspects:

In respect of technologies: Continuously elevating core technological capabilities and system integration abilities

The Company possessed an all-round subjects such as metallurgical science, architectural science and part of mechanical science application and research system, and had 11 scientific research and design enterprises, 17 national level technological innovation platform, major research objects comprising construction engineering and manufacture of special equipment, and was able to carry out single subject and multi-disciplinary forward-looking application research and development. The Company also has the ability to solve the key technological problems in the main engineering industry, thereby continuously improving the capability of core technology to maintain a technological leading standard in the industry. The Company has the ability to constantly promote technological centralization within different models as well as collaborative innovation. Through strengthening system linkage, breaking isolation of technology and information, automation and precision level were constantly improved to reduce production costs and improve production quality, forming supportive core business. The Company also has the capability to guide the leading patent technology with independent intellectual rights system, penetrate the multi-disciplinary and multi-professional system centralization ability in the overall production chains, adapt to and create market demand, and consolidate and enhance the status and power of discourse of the main business of the enterprise in the PRC and within the industry.

The Company cumulated core technological advantages penetrating 8 major business fields and 19 business units of steel and iron construction as well as the technological advantages of the strongest mine construction ability, mine development and production. The Company also processes with more than a hundred leading core techniques and the ability of constant reformation and innovation. The Company extended such advantage to other fields. After years of accumulation, including establishment of expressways under complex geographic conditions, gigantic deep-foundation pit under special geographic conditions, super-high-rise building, super-large-span buildings, super-large high-precision electrical and mechanical systems, the Company possesses various international top-notch techniques in respect of construction and reaches the leading position nationwide with respect of, among others, new materials, technologies and techniques in the construction field. In addition, the Company also possesses obvious technological advantages in respect of emerging technological fields, including integrated pipeline corridor, sponge cities, beautiful villages, beautiful villages, environmental protection business fields, including sewage treatment, river dredging, integrated waste treatment and photovoltaic power, and theme park construction field.

In respect of management: Constantly improving innovation ability and resource integration capability

The Company is able to constantly optimize the strategy, procedure, standard, value, culture, structure and system through continuous innovation for management thinking, management concept, management knowledge, management approach, management tool, in order to ensure the Company will remain lively and energetic under the change in external condition. With a view to improve the industrial chain and value chain, the Company continued to promote the resource integration between different internal companies and different businesses and strived to push forward the effective integration of external social resource and capital of the Company with a complementary effect in order to multiply vitality of the Company, realise the extensive, lean and intensive operation of the Company and efficiently achieve the goal of the Company's results and development.

The Company possesses a whole-process, all-aspect and complete construction industrial chain covering technological research and development, consulting and planning, surveying and mapping, project design, project supervision, project design, project supervision, civil construction, installation and adjustment, operation and management, equipment manufacture and integration, technological service and import and export trade. As compared with general engineering design enterprises, project construction enterprises or equipment manufacturing enterprises, the Company is able to carry resource integration on its industrial chain and to provide more comprehensive or integrated services to customers.

In respect of corporate culture: Corporate spirit and vision with high popularity

Being a founder, pioneer and builder of the iron and steel industry in New China, MCC has come a long way mired in predicament before founding of the People's Republic of China in 1948. The staff of MCC has been sailing ahead against headwind over the past six decades from a poverty-stricken beginning. Arduously, we finished building of the steel empire. Especially dating back to 2012, MCC experienced crises but we made an impressive transition. It was the mark of a new burst of vitality again. Under global integration of markets, we play an active role as if a national metallurgical construction team, a main force of infrastructure, and a leader in emerging industries. The masterful corporate culture – gaining mastery and powerful spiritual force for the everlasting foundation of MCC – embodies the spirit and vision of MCC formed in such process that laying at the core competitiveness of the Company.

The MCC spirit – unpretentious and pragmatic – “without wasting one day, without being lazy for one day” (一天也不耽誤、一天也不懈怠). It is a true portrayal and the best interpretation of our staff with respect to working conditions and attitude, in which the plain connotations are the work of today is for today, not tomorrow. The spirit underlines working hard on every single day and manifests our staff's willingness to assume responsibilities in pursuit of efficiency and reform. Under the leadership of our core members, being a role model and an advocate, we are always in a race against time to convey messages from the leading cadres, leading all staff to resolve issues in no time. Leveraging on the acute insight, we are a trendsetter in the market with swift and proactive moves to save other crisis-ridden enterprises. Passionately and desperately, our dedicated staff at all levels are strongly determined to devote themselves to the reform and development of MCC. Our strongest positive energy is showcased in terms of dedication, unity, efficiency and responsibility. The MCC spirit is deep-seated in our staff as the powerful spiritual force and winning “magic weapon” driving us to overcome every obstacle with a strong sense of unity, attaining an everlasting foundation of the Company.

The vision of MCC: Focus on MCC's principal businesses for a better future (聚焦中冶主業·建設美好中冶). By focusing on the core businesses of MCC, we dedicate ourselves to the businesses which we are capable of and strictly control various risks – to make the best use of our strengths. By building a better future for MCC, it highlights the morale of the Company and our staff with good social image and high corporate brand reputation, high quality business development, efficient operations of every business unit and favourable economic benefits. MCC is making every effort to transform itself into an excellent central enterprise with steadily growing values and market capitalisation. The SASAC can be rest assured and our shareholders are satisfied with our outstanding performance evaluation, in return the lives of our staff can be well-off. MCC will be the “ideal corporate admired by the young, the entrepreneurial development platform of the middle-aged, and a harbour of nourishment for the elderly”. Such vision of development perfectly incarnates the missions and “sharing” concept of MCC, which is widely recognised by the regulatory authorities under the SASAC, the public shareholders and our broad base of staff. The sense of belonging of our employees will spike, in turn incentivise their enthusiasm and creativity – the most vital resource for the development of MCC.

IV. TECHNOLOGICAL INNOVATIONS

In 2015, facing increasing downside pressure of the economy and continual slowdown in iron and steel industry, the Company accelerated the implementation of innovation-driven strategy for development in accordance with the market situation, stuck to the path of leapfrog development with core technology, strengthened the construction of technological innovation systems and the improvement of innovative abilities to ensure the “Upgrade of Core Technology, Popularization of Practical Technology, Breakthrough of High and New Technology” (核心技術升級、實用技術普及、高新技術突破); it grasped the productisation of core technology and product industrialization to facilitate close linkage between innovative chain and industrial chain; it capitalised on its innovative advantages of the integration of technological research and engineering to continuously raise the capabilities in terms of core technology and system integration and fully released dynamic multiplier effect of technological innovations, thereby creating a new engine and momentum for realizing the strategic position of a “national team of metallurgical construction, main force of infrastructure, leader in emerging industries”.

(I) **Comprehensive Innovative Development Guided by Technological Innovation Strategies**

In 2015, the Company sped up the implementation of innovation-driven development strategy and formulated a plan for building a “national team of metallurgical construction” at top level, specifying the first batch of companies for technological innovations in relation to eight sectors and 19 business units of iron and steel and metallurgical industries to shoulder the responsibility of propelling China from a great manufacturer to an advanced manufacturer in the global steel and iron market.

To better establish the business system of “Four Beams and Eight Pillars” (四梁八柱), reform and improve traditional industries, accelerate to foster emerging industries, assist to achieve transformation and upgrade, the Company issued the action outline of “Advanced manufacturing, 3D printing and Internet +” to expedite the integration of such sectors and the Company’s business and enable industrial upgrade; it established three technological research institutes in relation to comprehensive pipelines, sponge cities, and beautiful countryside and intelligent cities to strengthen the development of core technology in such business sectors and fully release the dynamic multiplier effect of technological innovations, providing new momentum for the reform and development of the Company.

(II) **Sustainable Development Supported by Technological Innovation System**

During the Reporting Period, the Company further enhanced the construction of innovative platform system based on the innovative development strategy and strived to make a breakthrough of common key technologies, so as to continuously improve intelligent property system, solidify the foundation of technological innovation and vigorously support the sustainable development of the principal business of the Company.

1. **Continuous Improvement in Technological Innovation Platform System**

In 2015, leveraging the establishment of “Key National Laboratory for Environmental Protection in Iron and Steel Industry” by Central Research Institute of Building and Construction Co., Ltd. MCC Group, the Company successfully established its first key national laboratory; corporate technological centre of China MCC 17 Group, a subsidiary of the Company, was recognised as the corporate technological centre at national level and was the first technological innovation platform at national level established by the construction enterprise of the Company; WISDRI Engineering & Research Incorporation Limited (“WISDRI”) and ACRE Coking & Refractory Engineering Corporation, MCC (“ACRE Coking & Refractory”) were recognised as a model enterprise of national technological innovation in 2015.

As of the end of 2015, the Company has established 17 national technological platforms as approved by the Ministry of Science and Technology of China and the NDRC, holding a leading position among the central enterprises, 51 MCC engineering and technological centres, 52 provincial technological innovation platforms, and 50 technological innovation platforms at subsidiary level. Thus, the Company “national – Group and provincial – subsidiary level”, the three-hierarchy technological innovation platform system of the Company further improved, which further concreted the innovation foundation of the Company and provided technological support to achieve new strategic objectives of the Company.

2. **Breakthrough Made in Key Technological Research and Development**

The Company leveraged its advantages to dominate in high-end market and promote continuously the productisation of core technology and product industrialization based on its technological development strategy. For metallurgical construction, it targeted to establish a production process of environmental protection and intelligent integration and strived to develop and promote a batch of key common technologies. The Company developed and implemented new intelligent environment-friendly material yard, intelligent management system for blast furnace, desulphurization and denitrification for sintering flue gas of activated carbon, industrial wastewater coking treatment and low-temperature flue gas residual heat utilization and recycling for projects such as Baosteel Zhanjiang and Formosa Hejing, etc., so as to make contributions to optimization and upgrade of iron and steel industry. For infrastructure sector, the Company made a breakthrough in the construction of large deep foundation pit, structure of super-long-span building, complicated super-large electromechanical installation with high precision, in-depth development and application of BIM technology, key technology for structure examination of concrete for industrial building under special geological conditions. These technologies were at an advanced level in China. For

emerging business sector, the Company made a breakthrough in technologies regarding underground comprehensive pipelines, intelligent parks, new urbanization, construction of theme park and wastewater treatment of river and lake, etc. These technologies were broadly applied to municipal construction in Shanghai, Zhuhai, Chongqing, Wuhan, etc. or theme park projects and were highly recognised in the industry, providing a solid foundation for market expansion of emerging sector.

3. Gradual Improvement in Intelligent Property System

During the Reporting Period, the Company continued to promote the implementation of patent development strategy of "Quality Comes First" (品質並舉、質為先), strived to heighten the proportion of invention patent, strengthened the overall layout of patents and built patent technology network with core competitiveness based on three areas, namely "metallurgical construction, infrastructure and emerging industries", thereby establishing intelligent property system supporting the development of principal business. In 2015, the Company continued to rank the fourth among central enterprises in terms of valid patents and the first among all central enterprise of non-resources monopoly. It had 16406 valid patents, of which 3656 were invention patents. In addition, five subsidiaries of the Company were named as the second batch of the Enterprise with Intelligent Property Advantages at National Level and one subsidiary was recognised as the Model Enterprise of Intelligent Property at National Level on the above-mentioned basis in 2015.

The Company realised a breakthrough in obtaining China Patent Gold Award unprecedentedly and quality of patent was rapidly promoted. In December 2015, "a type of circulation cooling machine vehicle" (一種環冷機台車), a patent independently developed and applied for by Zhong Ye Chang Tian International Engineering Co., Ltd, was awarded China Patent Gold Award of 17th anniversary and achieved a breakthrough in obtaining China Patent Gold Award unprecedentedly by MCC; meanwhile, MCC also obtained five outstanding awards of China patent.

4. "Going Out" Strategy Supported by International Standards

During the Reporting Period, the Company vigorously implemented the national "One Belt, One Road" strategy and actively promote the compilation of international standards to provide technological support to the Company's participation in global market competition. The Company issued and participated in the compilation of three international standards in total, and hosted to compile and jointly compiled 5 international standards. While enhancing the compilation of international standards, the Company continued to consolidate the advantages of standard compilation in metallurgical sector. In 2015, it issued and hosted to compile 38 national standards, thus further ensuring the Company's dominance and power in technology of metallurgical industry.

(III) Momentum of development leveraging increasing technological innovation ability on an on-going basis

During the Reporting Period, the Company continued to increase its investment in technology, vigorously promoted the transformation of technological achievements through increasingly optimizing the construction of research institutes, fully integrating technological resources of the whole industry chain, capitalizing technological advantages in synergistic effect of professional talents. Therefore, technological innovation ability is continuously increased and an endless power is fueled to the transformation and upgrade of the Company.

1. Increasing Enhancement in Technological Innovations

(1) Establishing MCC Research Institute and Professional Institutes of Comprehensive Pipelines, Sponge Cities, Beautiful Countryside and Intelligent Cities

In 2015, to further improve technological innovation system, organise technological resources, concentrate technological strength and incentivise innovative vitality of the Group, the Company established MCC Research Institute so as to achieve synergistic innovations for joint development.

The Company attached great importance to the future national development strategy and successively established comprehensive pipelines technological research institute, sponge city technological research institute and beautiful countryside and intelligent city technological research

institute. Leveraging over 60 years of technological accumulation, MCC extended its technological advantages of “utility” in industrial sectors including metallurgical construction to civil municipal sector and served as a key man who made a breakthrough of, innovated and guided the product technology it is positioned. It researched core technology, formulated specifications and standards and grasped the right to say in the industry, providing strong momentum with strong technological strength for the “first-forerunner” of emerging industry.

- (2) *Building a national team of metallurgical construction, strengthening the first batch of construction companies, giving full play to integrated advantages of the whole industrial chain*

In 2015, the Company proposed the strategic objective of “building a national team of metallurgical construction”, completed a plan for building a team of metallurgical construction at top level, recognised MCC as the first batch of construction companies for technological innovations in relation to eight business units and 19 business sectors based on iron and steel metallurgical process, specified the division of duties and formed a strategic alliance of joint development for design and construction, thereby integrating resources across the whole industrial chain including research and development, consulting, design, equipment, construction and operation and improving overall standards of MCC as a national team of metallurgical engineering construction and operation.

- (3) *Adequate technological research talents from various professional fields and different academic background, and increasingly notable advantages in integration of technological research and construction*

The Company established chief expert system and chief technician system, encouraged technological experts to fully grasp advanced technologies in the industry, and gradually transformed from an enterprise expert to an industry expert, from a domestic expert to an international expert and from a metallurgical expert to a composite expert.

The Company currently owns over 53,000 construction technicians. For technological innovations, our talents are from various professional fields and different academic background with system integration capabilities and technological advantages as compared with other construction enterprises. Such capabilities and advantages include metallurgical professional processes such as mining, ore-processing, sintering, iron making, steel making and steel rolling, as well as general professional sectors such as civil engineering, drainage, oxygen, gas, heat, ventilation, master plan, automation and informatisation. After decades of experience in construction, the Company has fostered lots of construction technical talents and accumulated extensive experience in technological research and development.

The Company carries out research and development its practical experience in construction based on market condition. The achievements of research and development are widely applied to the processes including engineering and consulting, design, construction and operation and maintenance to realise the operational system of research and development and give full play to technological advantages in integration of technological research and construction.

2. Sustained and Stable Technological Investments

In 2015, the Company continued to increase technological investments with a total amount of RMB5,179 million for the year, representing 2.38% of the operating revenue for the year; of which investments in research and development amounted to RMB5,178 million, representing 2.38% of the operating revenue for the year. The Company ensured the sustained and stable technological investments while actively seeking financial support to technological development from the State, therefore satisfying the basic needs for technological research and development of the Company

3. *Obtaining Various Awards in Technological Innovations*

In 2015, the Company obtained various national awards and made a historical breakthroughs.

The Company was recognised as a model enterprise of national technological innovations and in constructing an innovative enterprise. In 2015, WISDRI and ACRE Coking & Refractory, subsidiaries of the Company, were recognised as model enterprises of national technological innovations. It represented that the Company bridged the gap in this respect and obtained other relevant awards subsequent to the award of a model enterprise of national technological innovations in 2009. It indicated that the Company made advancements in constructing an innovative enterprise.

The Company obtained various national technological awards. During the Report Period, the Company won a total of 3 Second-class Awards for National Science and Technology Advancement Award; it further received 13 prizes for the Metallurgical Technology Award and 8 prizes for National Science and Technology Advancement Award of the China Non-ferrous Metal Industry Association.

Such awards further enhance both the Company's influence and its discourse power in the industry.

4. *Persistent Improvement in Ability of Transforming Technological Achievements, Notable Increment in Contribution of Technological Advancement*

In 2015, in the advanced manufacturing sector, a batch of advanced new processes and new equipment were promoted in and applied to iron and steel enterprises including large cross-section continuous casting for special steel (特殊鋼大斷面連鑄), circulation cooling machine vehicle for sintering (燒結環冷機台車), high-efficiency mining for extra-thick orebody (特厚大礦體高效開採), extra-large long-life high-efficiency blast furnace (特大型高效長壽高爐) researched and developed by the Company and the relevant effect was notable. Such processes and equipment were awarded various national and industrial technological awards; for energy conservation and environmental protection sector. The Company researched, developed and applied a batch of new technologies regarding energy conservation and emission reduction including green and environment-friendly intelligent raw material yard (綠色環保智能化原料場), desulphurization and denitrification for sintering flue gas of activated carbon (活性炭燒結煙氣脫硫脫硝), industrial wastewater coking treatment (焦化廢水處理), providing technological protection for the production of "green iron and steel"; for "Internet +" sector, the Company comprehensively launched the technological research and development and achievement promotion for "Internet + engineering construction", "Internet + industrial operation", "Internet + city operation". It established a platform of high and new technologies including full life-cycle management for construction projects, performance optimization for iron and steel, examinations for industrial buildings and 3D geographical information system for intelligent-cities based on BIM technology; for comprehensive pipeline sector, the Company hosted to compile or participated in compiling relevant national and industrial standards and guided the construction of specifications and standards of the relevant domestic sectors. For beautiful countryside and intelligent city sector, the Company put a focus on new technologies including intelligent energy and environmental protection, intelligent transportation, intelligent park and intelligent building and created a batch of technological achievements with advanced technology and promising prospect of application, thereby providing new momentum for the enterprise's transformation and development.

Demonstration projects for new technology application undertaken by Central Research Institute of Building and Construction Co., Ltd., MCC Group are not only an effective way to promote achievements of the Company, but are also one of necessary conditions for construction enterprises to apply for the Luban Awards (魯班獎). In 2015, the Company continued to strengthen the construction of demonstration projects and approved 30 new demonstration projects for new technology application to be undertaken by Central Research Institute of Building and Construction Co., Ltd., MCC Group, and organised inspection and acceptance work in respect of 7 demonstration projects for new technology application of this company.

REPORT OF DIRECTORS

V. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the amount of purchase from top five suppliers of the Company accounted for not more than 10% of the purchase amount of the Company, while aggregate revenue from the top five customers of the Company accounted for not more than 10% of the total operating revenue of the Company. During the Reporting Period, the Company maintained good cooperative relationships with its clients and customers.

VI. RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in equity from page 128 to 131 of the report and Note VII 51 to the consolidated financial statements.

Pursuant to the Company Law of the PRC, undistributed profit could be distributed as dividend upon deducting statutory surplus reserve. As at 31 December 2015, the undistributed profit amounted to RMB1,394.3244 million.

VII. DONATIONS

During the Reporting Period, the Company had no charity or other donations.

VIII. DIVIDENDS

For the details of the cash dividend distribution plan of the Company during the Reporting Period, please see the section headed "Profit Distribution of Ordinary Shares or Conversion of Capital Reserve" on page 69 of this report.

IX. PROPERTIES HELD FOR DEVELOPMENT AND SALE

Location	Current use of land	Occupied area (s.q.m.)	Floor area (s.q.m.)	Status of project	Progress towards completion	Estimated completion date	Percentage of the interest attributable to the Company in the development projects
Land lot in Binjiang, Nanjing City, Jiangsu Province	Residential and commercial	323,048.12	890,929.83	Under construction	1%	2020	98.52%
Hexi District, Tianjin	Residential and commercial	86,835.20	500,000.00	Under construction	22%	2017	100%
Jiugong Town, Daxing District	Residential and commercial	96,274.00	190,045.05	Under construction	70%	2016	100%
Singapore	Residential and commercial	16,149.40	61,523.00	Under construction	3%	2018	51%
Singapore	Residential	17,102.90	48,861.00	Under construction	43%	2018	100%
Jiangbei District, Chongqing City	Residential and commercial	678,259.00	218,634.00	Under construction	3%	2020	100%

X. RISK FACTORS

For risk factors facing by the Company, please refer to "II (IV) Possible Risks and Measures Adopted by the Company" of "Management Discussion and Analysis" of this report.

XI. PERFORMANCE OF SOCIAL RESPONSIBILITIES WITH RESPECT TO ENVIRONMENTAL PROTECTION

To improve the awareness of environmental protection throughout the Company and reduce pollution as well as conserve energy and resources in a practical manner in course of its business operations, the Company has formulated the Administrative Measures on Environmental Protection and Resources Conservation issued business notices such as the Notice in Relation to the Enhancement of Management of Demonstrative Green Construction Projects of MCC, prepared the Collection of Photos of Demonstrative Green Construction of MCC, proactively promoted energy conservation and emission cuts within the Company, fostered green construction and carried out other relevant tasks.

In addition, the Company has been striving for research and development of environmental protection technologies and equipment in metallurgical engineering and other fields for years. Leveraging its cutting edges in technologies, the Company has laid great emphasis on the research and development of emerging technologies and technological innovations such as soil restoration, air pollution control, wastewater treatment, disposal of solid waste and clean energy. By virtue of such philosophy, a large number of environmental protection and energy conservation technologies have reached an advanced level at both home and abroad, allowing the Company to make valuable contributions to the environment protection and pollution control in China. During the Reporting Period, the Company continued to step up its efforts in environmental protection engineering and new energy and entered into several major environmental protection projects such as the General Contracting Project for Yunnan Kunming 60MWP Net Photovoltaic Power Generation, the Overhaul and Flue Gas Purification Project for the Sintering of the Baosteel Ironworks, Effluent Treatment Project of the Agricultural High-tech Zone of Liaoning and the Energy Conservation Renovation Project for Heat Recovery Power Generation of Flue Gas of Echeng Wuhan Iron and Steel Group.

For details of the performance of social responsibilities by the Company, please refer to the 2015 Social Responsibility Report.

XII. EMPLOYEES

For details of the employees, please refer to “VI. Employees of the Parent and Principal Subsidiaries” of “Particulars of Directors, Supervisors, Senior Management and Staff” of this report.

XIII. COMPLIANCE WITH LAWS AND REGULATIONS WHICH HAVE SIGNIFICANT IMPACT IN THE COMPANY

During the Reporting Period, the Company was not under investigation by judicial authorities or subject to administrative penalties by relevant regulatory authorities due to violation of laws, regulations and policies which have significant impact on the business of the Company. For details of the quality control system, compliance with laws and regulations in relation to production safety and operation of the production safety system of the Company, please refer to the section headed “I (IV) 7. The Operation of the Quality Control System and Production Safety System of the Company” under the section headed “Management Discussion and Analysis” of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

I. PRINCIPAL OPERATION DURING THE REPORTING PERIOD

The principal operation of the Company during the Reporting Period is as follows.

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

1. Analysis on Revenue and Costs

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

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

1) Trend of macro-economy internationally and domestically

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

- ① Impact from changes in the tax revenue policy

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

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

- ② Impact of the fluctuation in exchange rate and currency policy

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

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

- 4) Overseas tax revenue policies and their changes

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

MANAGEMENT DISCUSSION AND ANALYSIS

5) Changes in major raw materials prices

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

6) Construction Subcontracting Expenses

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

7) Operation of Subsidiaries and Key Projects

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

8) Enhancement in the Quality of Operational Management

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

9) Uneven Distribution of Revenue

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

(2) Information of Major Customers

During the Reporting Period, the operating revenue obtained from the top five major customers of the Company accounted for not more than 10% of the total operating revenue of the Company. (For details, please refer to Note VII 52)

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Major Business by Segment and by Regions

Unit: RMB'000

Situation of Major Business by Segment

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

Situation of Major Business by Regions

Unit: RMB'000

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

1) Explanation on Major Business by Segment

① Engineering contracting business

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

② Property development business

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

③ Equipment manufacture

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

④ Resource development

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

2) Explanation on Major Business by Region

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

MANAGEMENT DISCUSSION AND ANALYSIS

(4) Table of Analysis on Costs

Unit: RMB'000

Situation by Segment

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

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

(5) Information of Major Suppliers

During the Reporting Period, the purchase amount from the top five suppliers of the Company accounted for not more than 10% of the total operating costs of the Company.

2. Expenses

(1) Marketing and sales expenses

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

(2) Administrative expenses

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

(3) Financial expenses

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

MANAGEMENT DISCUSSION AND ANALYSIS

3. Research and Development Expenditure

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

Unit: RMB'000

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

4. Cash Flows

The cash flows of the Company are as follows:

Unit: RMB'000

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

(1) Operating activities

The Company's net cash flows generated from operating activities for the years 2015 and 2014 amounted to RMB15,357,382,000 and RMB14,969,027,000 respectively. For the years 2015 and 2014, the cash inflow generated from operating activities mainly came from the cash received from sales of products and provision of services, accounting for 98.77% and 97.63% respectively with respect to the cash inflow generated from operating activities.

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

(2) Investing activities

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

(3) Financing activities

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

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

(II) Description on Material Changes in Profits from Non-main Business

Applicable Not applicable

(III) Analysis on Assets and Liabilities

Assets and Liabilities

Unit: RMB'000

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Analysis on the structure of assets and liabilities

(1) Analysis on the asset structure

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

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

Currency funds

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

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

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

Accounts receivable

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other receivables

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

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

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

Inventory

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

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

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

Long-term receivables

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

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

Fixed assets

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

MANAGEMENT DISCUSSION AND ANALYSIS

Intangible assets

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

(2) Analysis on the structure of liabilities

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

Short-term borrowings

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

Accounts payable and other payables

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

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

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

Advance receipts

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

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

Long-term borrowings and bonds payable

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

2. Analysis on solvency

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

Unit: RMB'000

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

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

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

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

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

② *Year-on-year consolidated asset liability ratio decreased*

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

③ *Year-on-year rise in interest protection multiple*

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

④ *Smooth financing channels*

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

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

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3. Analysis on capability of asset turnover

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

Unit: times/year

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

① Total Assets Turnover Ratio

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

② Receivables Turnover Ratio

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

③ Inventory Turnover Ratio

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

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

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

Unit: RMB'000

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

Unit: RMB'000

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

MANAGEMENT DISCUSSION AND ANALYSIS

2. Projects in construction during the Reporting Period

Unit: RMB'000

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

Unit: RMB'000

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

3. Substantial Projects in Construction

Applicable Not applicable

4. Overseas Projects during the Reporting Period

Unit: RMB'000

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

5. Summary of Completed and Unsettled Constructions among the Inventory

Unit: RMB'000

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

6. Competency for Construction Projects of the Company

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

The Ministry of Housing and Urban-Rural Development (MOHURD) issued the Provisions on the Management of Competency for Construction Companies (Order No.22) (《建築業企業資質管理規定》(第22號令)) in January 2015, and the Criteria of the Grades on Competency of Construction Companies (Jian Shi [2014] No.159) (《建築業企業資質等級標準》(建市[2014]159號)) in November 2014 (which came into force on 1 January 2015).

Certain contracting qualifications in the amended provisions regarding management of competency and competence criteria were revoked. Qualifications on the construction labor are no longer divided into categories and grades, and there are fewer stages for obtaining approval, which has simplified the approval procedures and further streamlined the administration with the delegation of power. The amendments have also allowed companies to obtain qualifications of multiple series and categories at the same time. Under these amendments, companies are assessed based on key criteria only, along with the establishment of an additional criterion for "technical staff". These amendments have expanded the scope of construction projects that companies are able to contract and allowed them to fully leverage their market functions for their greater convenience, facilitating the scientific development of the industry. Additional regulatory provisions are made for in-process and post-process matters, which have specifically enhanced the supervision and management of companies after they have obtained relevant qualifications and have clarified matters in relation to the rectification made by companies which do not meet the criteria of the qualifications within a time limit.

In October 2015, the MOHURD issued the Notice in Relation to the Issues Regarding the Management of Competency of Construction Companies ([2015] No.154) (《關於建築業企業資質管理有關問題的通知》([2015]154號)), pursuant to which, the assessment criteria of, among others, national-level techniques, patents, prizes for national-level technological progress and national or industry standards for construction projects as set forth in the Criteria of Special Qualifications of the General Contractors of Construction Projects (Jian Shi [2007] No. 72) (《施工總承包企業特級資質標準》(建市[2007]72號)) were revoked in order to give play to the decisive role of the allocation of resources in the market and further streamline the administration and enable the delegation of power, facilitating the development of the construction industry. The provision which allowed Grade I general contractors for construction projects to undertake a single construction project with a contract amount of more than RMB30 million as set forth in the Criteria of Competency of Construction Companies (Jian Shi [2014] No.159) (《建築業企業資質標準》(建市[2014]159號)) has been revoked. The provision which restricted companies with special qualifications to undertaking a single construction project with a contract amount of over RMB60 million as set forth in the Opinions on the Implementation of the Provisions of the Management of Competency and Criteria thereof for Construction Companies (Jian Shi [2015] No.20) (《建築業企業資質管理規定和資質標準實施意見》(建市[2015]20號)) and the provision that restricted companies with special qualifications to undertaking a single building construction project with a contract amount of over RMB30 million as set forth in the Criteria of Special Qualifications for General Contractors for Construction Projects (Jian Shi [2007]No.72) (《施工總承包企業特級資質標準》(建市[2007]72號)) have been revoked. The scope of construction projects for Grade I professional steel structure construction contractors as stipulated in the Criteria of Competency of Construction Companies (Jian Shi [2014] No.159) (《建築業企業資質標準》(建市[2014]159號)) has been amended as: being allowed to undertake different types of steel structure construction projects.

The recently promulgated Provisions on the Management of the Competency of Construction Companies have also strengthened the supervision and management of companies after they have obtained relevant qualifications. After obtaining relevant qualifications, construction companies are

MANAGEMENT DISCUSSION AND ANALYSIS

required to meet the criteria of such qualifications in an on-going manner. The Measures for the Management of the Qualifications for Construction Companies (《建設工程企業資質管理辦法》) issued by the Company in August 2015 specifically requires companies to replenish and adjust relevant resources in a dynamic manner in accordance with the changes in their development and maintain all necessary assets, principal personnel, technical equipment and results required for their existing qualifications and fulfil other conditions that are required to meet the criteria for such qualifications.

(2) *Qualifications obtained by the Company and subsequent events*

As of the end of the Reporting Period, the Company and its subsidiaries altogether held over 1,300 qualifications and permits, covering construction consultation, construction investigation, construction design, construction work, construction supervision, construction tender agent, property development and overseas construction contracting etc. 10 subsidiaries of the Company held premium class qualifications for property construction and smelting and four subsidiaries of the Company held comprehensive qualifications for construction design. The number of subsidiaries with general premium class qualifications for general contracting reached 23 while the number of subsidiaries with premium class qualifications for property construction reached 11, which provided a strong technology guarantee for non-smelting construction, especially high-end property construction business.

In 2015, 8 subsidiaries of the Company obtained 40 qualifications covering design and construction, and the certificates are valid for 5 years.

In 2016, 20 relevant qualification certificates held by 4 subsidiaries of the Company will expire and the conditions for extending the qualifications basically satisfied the requirements of qualification standards.

7. The Operation of the Quality Control System and Production Safety System of the Company

The Company has strictly complied with the national laws and regulations including the Construction Law of the People's Republic of China (《中華人民共和國建築法》), the Administrative Rules on Construction Engineering Quality (《建設工程質量管理條例》) and the Administrative Rules on Construction Engineering Investigation and Design (《建設工程勘察設計管理條例》) and has stringently implemented the requirements of MOHURD and the MCC Quality Management Measures (《中國中冶質量管理辦法》); has carried out a series of control measures including the two-year operation of the construction quality management and has continuously improved quality management system. The Company has established a management system underpinned by quality responsibility system, quality check, and award and punishment mechanism for quality assessment; has established an on-site quality supervision system mainly in forms such as on-site area check and quality inspection for construction projects; has continuously optimized the quality management system and organization system of each level and relevant standards and norms including acceptance of construction quality, construction techniques, examination and assessment and construction project management; has pushed ahead with full implementation of quality responsibility management and has strengthened the on-site quality supervision and quality assessment. The operation of the construction quality management system of the Company was normal during the Reporting Period and the overall construction quality was under control without occurrence of any material quality accident.

The Company has strictly complied with the requirements of laws and regulations including Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Production Safety Accident Report and Investigation & Treatment Regulations (《生產安全事故報告和調查處理條例》), and has implemented the MCC Production Safety Management Measures (《中國中冶安全生產管理辦法》), MCC Emergency Plan for Production Safety (《中國中冶安全生產事故應急預案》) and MCC Overseas Production Safety Management Measures (《中冶集團境外安全生產管理辦法》). The Company persistently adheres to the production safety principle of "Safety First, Prevention Crucial, and Comprehensive Management" and optimization of safety responsibility system; performed core responsibilities of training and education on enterprise safety; promoted the standardized establishment of safety and civilization of

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on-site construction; strengthened the safety inspection and control of onsite project production safety. The production safety system remained normal. During the Reporting Period, no material or above safety accident occurred, reflecting an overall stable condition of production safety of the Company.

8. **Financing Arrangements of the Company**

(1) *Overall Financing Arrangement*

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

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

(2) *Debt financing*

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

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

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

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

The functional currency of a majority of the entities within the Company is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Company's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Company continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign

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exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Company. The Company currently does not have a foreign exchange hedging policy.

In order to reduce the financing costs and financial expenses of the Company, as considered and approved at the general meeting of the Company, and registered with the National Association of Financial Market Institutional Investors, the Company issued short-term financing bills, ultra-short-term financing bills and mid-term notes during the Reporting Period as follows:

Number	Issue Date	Name	Amount (RMB)	Interest Rate	Term	Date of Announcement on the Result of Issue
1	7 April 2015	The First Tranche of Ultra-Short-Term Financing Bills 2015	3,000 million	5.00%	180 days	10 April 2015
2	22 April 2015	The Second Tranche of Ultra-Short-Term Financing Bills 2015	3,000 million	4.30%	240 days	24 April 2015
3	11 May 2015	The Third Tranche of Ultra-Short-Term Financing Bills 2015	3,000 million	3.90%	270 days	14 May 2015
4	1 June 2015	The First Tranche of Mid-Term Notes 2015	5,000 million	The coupon rate is 5.70% for the first five interest accrual years. It is reset every five years from the sixth interest accrual year	5+N year (The expiry of the redemption by Company according to the issuance provisions)	5 June 2015
5	10 August 2015	The Fourth Tranche of Ultra-Short-Term Financing Bills 2015	4,000 million	3.20%	270 days	14 August 2015
6	15 September 2015	The Fifth Tranche of Ultra-Short-Term Financing Bills 2015	2,000 million	3.50%	270 days	18 September 2015
7	21 September 2015	The First Tranche of Short-Term Financing Bills 2015	4,000 million	3.57%	One year	24 September 2015
8	27 October 2015	The Sixth Tranche of Ultra-Short-Term Financing Bills 2015	3,000 million	3.25%	270 days	3 November 2015
9	11 November 2015	The Second Tranche of Short-Term Financing Bills 2015	4,000 million	3.60%	One year	17 November 2015
10	22 December 2015	The Second Tranche of Mid-Term Notes 2015	2,500 million	The coupon rate is 4.38% for the first three interest accrual years. It is reset every three years from the fourth interest accrual year	3+N year (The expiry of the redemption by Company according to the issuance provisions)	25 December 2015
11	24 December 2015	The Third Tranche of Mid-Term Notes 2015	2,500 million	The coupon rate is 4.33% for the first three interest accrual years. It is reset every three years from the fourth interest accrual year	3+N year (The expiry of the redemption by Company according to the issuance provisions)	29 December 2015

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(V) Investment Analysis

1. Overall Analysis on External Equity Investments

(1) Substantial Equity Investments

During the Reporting Period, the Company did not have substantial equity investments.

(2) Substantial Non-equity Investment

During the Reporting Period, the Company did not have substantial non-equity investments.

(3) Financial Assets Measured at Fair Value

Securities investment

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	600787	CMST Development Corp (中儲股份)	498,768	57,528	1,155,162	100	604,044
Total	/	/	/	498,768	57,528	1,155,162	100	604,044

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Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Name of investment project	Initial investment cost	Percentage of shareholding to the company (%)	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	Source of shares
601328	Bank of Communications	93,402	0.05	288,861	12,155	-8,851	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000709	Hebei Steel	10,337	0.79	9,475	2	-1,423	Available-for-sale financial assets	Initial shares
600665	Tande	1,122	0.02	1,218	152	282	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.20	10,411	0	2,808	Available-for-sale financial assets	Initial shares
600729	Chongqing Department Store	450	0.11	14,977	169	3,422	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.04	3,746	0	2,216	Available-for-sale financial assets	Initial shares
600643	AJ Corporation	275	0.01	3,980	2,097	1,113	Available-for-sale financial assets	Initial shares
000939	Kaidi Ecological	2,502	1.10	147,441	4,171	32,529	Available-for-sale financial assets	Initial shares
600642	Shenergy	188	0.01	340	9	49	Available-for-sale financial assets	Initial shares
Total		110,096	-	480,449	18,755	32,145		

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Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment cost (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)	Changes 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	-	1.28	30,000,000	0	0	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	6,600,000	0	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	9,759,054	0	Available-for-sale financial assets	By acquisition
Beijing Hengjiatai Construction Investment Fund Management Co., Ltd. (北京恒嘉泰建設投資基金管理有限公司)	11,671,600	-	18.37	11,671,600	0	0	Available-for-sale financial assets	By acquisition
Wusteel Group Financial Company (武鋼集團財務公司)	2,000,000	-	0.13	2,000,000	492,000	0	Available-for-sale financial assets	By acquisition
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	2,000,000	-	0.02	2,000,000	0	0	Available-for-sale financial assets	By acquisition
Total	90,465,280	-	/	90,465,280	16,851,054	0 /	/	/

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(VI) Disposal of Material Assets and Equity

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

(VII) Analysis on Holding Company and Joint Stock Company

For details of holding company and joint stock company, please refer to "IX. Equity in other entities" under notes to financial statements.

(VIII) Structured Entities Controlled by the Company

During the Reporting Period, the Company did not have structured entities controlled.

II. THE COMPANY'S DISCUSSION AND ANALYSIS ON THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Competition Landscape and Development Trend of the Industry

The world economy recovers circuitously with deep adjustments and continues to grow at a slow and moderate pace. The global iron and steel industry entered into the third stage of deep adjustment. Energy prices and bulk commodity prices remain at low level. There are a number of instability and uncertainties in the external environment. Domestically, the year 2016 marks the beginning of the "Thirteenth Five-Year Plan" of the PRC, during which the downside pressure of the economy increases, market demands are insufficient and the competition among enterprises intensifies; structural and cyclical problems were severe in economic operation. Certain contradictions and problems arise including the "elimination of overcapacity" of the iron and steel industry, dual adjustments in respect of the decreasing trend of the property development industry and the cyclical deceleration of growth, dynamic change and increasingly apparent economic risks, which pose new issues and challenges to the Company in terms of market expansion, structural adjustment, technological innovations and operation model.

However, there is no change in fundamental factor of China's economy in the long run with high potential for economic development, room for manoeuvre and toughness, which is a strategic period full of opportunities. In particular, changes in internal conditions in terms of way of economic development and economic structure during the strategic period of opportunities provide the Company with good opportunities of unleashing its solid and profound strength in technology accumulated over 60 years and playing an important role in continuously developing and constructing with advanced technologies, and provide the Company with powerful momentum for enhancing quality and increasing efficiency, transformation and upgrade, transforming and improving traditional advantages, and recreating new advantages for development. The development trend of the iron and steel industry towards the reduction of production, greening, differentiation, intellectualization and internationalization will bring about numerous market opportunities involving high technology, high added value and sustained benefit that are relevant to renovation and upgrade, energy saving and environmental protection, high-end consultation and intelligent operating services for the Company; The Chinese government vigorously promotes collaboration between international capacity and equipment manufacture. There will be greater growth potential in iron and steel production capacity in other countries and regions such as Southeast Asia, India, the Middle East and Africa in the future, which provided the Company with new room to develop its international production cooperation. A series of initiatives for steady growth has been taken by the Chinese government to effectively cope with the increasing downward pressure, which will lead to a large number of effective investments. The annual average economic growth of China would have to reach a minimum of 6.5% during the period of the "Thirteenth Five-Year Plan". A large batch of benchmark projects and major constructions will be promoted and implemented; the promotion of

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the national strategies, including the construction of “One Belt, One Road” (一帶一路), the synergistic development of the Beijing-Tianjin-Hebei Region, the construction of Yangtze River Economic Zone, as well as the new type of urbanization, would boost huge market demands in municipal transportation infrastructures, comprehensive urban developments, property constructions and environmental projects and new energy, and featured theme parks. The huge potential demands in strategic emerging industrial markets, especially the markets of energy saving and environmental protection, green ecology, urban comprehensive underground pipelines, sponge cities, intelligent cities and beautiful villages, and their feature of speedy and continuous release, enable the Company to achieve the economies of scale on the basis of grasping the market opportunities and lay a solid market foundation to become a forerunner of emerging industries of high-end technology, high-end product and high-end market.

(II) Development Strategy of the Company

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

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

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

Major force of fundamental construction: Seizing the “One Belt, One Road” policy, tapping the huge potential in infrastructure construction across the countries and regions along the belt and road, grasping the changing trend of domestic consumption patterns and the requirements under the energy conservation and environmental protection policy, endeavoring to develop its differentiated business, enhancing the combination of techniques and capital, maximizing the market breakthrough in fundamental construction business areas including property construction, transport and municipal infrastructure and mid-end and high-end property through the strain brought by the combination of industry and finance, enhancing the market influence, realizing the target of achieving both scale and efficiency with biggest contribution ever and endeavoring for being the main force of the national fundamental construction and the implementation of “One Belt, One Road” strategy. Conforming with the requirements of national fundamental construction for the development of steel structure business, while enhancing the industrial steel structure, the Company strived to develop the steel structure of civil buildings and infrastructure with a focus on steel structure market including super high-rise construction, municipal construction,

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bridge construction, nuclear power construction and ocean construction, as well as the research and development of relevant technologies and sets of technology for industrialization of steel-structured residential buildings in order to improve the economic efficiency of steel-structured business and build a domestically-leading brand of MCC steel structure with international competitiveness.

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

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

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

The positioning of each of segments and businesses is as follows:

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

Premium property construction: The Company aims smart, green, landmark as its target market, develop property construction business of high technology, high added value and relatively large influence including ultra-high-rise and landmark buildings and large urban complex in large scale. It adheres to the market strategy of “Big Environment, Big Customers and Big Projects” (“大環境、大客戶、大項目”) to do its best in core strategic regions through building brand, delivering performance and increasing efficiency, thereby achieving high-end transformation of the building construction business.

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Mine construction and development: The Company is engaged in survey, design, construction, production and operation and services of large mines; for resource development business, it insists on the principle of “positioning accurately and exerting advantages in a realistic manner” with an aim of “perfecting management, enhancing quality, reducing cost, controlling risk and having return” to effectively unleash potentials of MCC Mining Group Co., Ltd.* (中冶礦業集團有限公司) as a professional platform company of integrated management of control, strengthen business management and control over overseas mining resources projects and improve its development and operational service level of mine resources. The Company endeavors to leverage on the economic and mining cycles and develops different developmental strategies of mining resources in hand in accordance with the category of metals and market environment in order to make profits and facilitate sustainable development in the long run.

Mid-and-high-end property: The Company integrates advantages and resources of the Group with MCC Real Estate as a core and leading subject to form the development landscape of integration, scale, professionalism and brand operation. It promotes the enterprise to transform from residential development to industrial comprehensive property development and develops from a sole residential property development and sale to include property holding, so as to extend its operating chain to service end. The Company actively develops elderly healthcare property, green property and new urban development, etc. and strives to be a leading property enterprise in terms of brand value and market influence in three years.

Transportation and municipal infrastructure: The Company vigorously develops urban transportation and infrastructure construction projects such as highways, bridges, roads, airports, ports and rail transportation, focuses on each of the large projects and leverage on its advantages and professional capabilities based on the market strategy of “Big Environment, Big Customers and Big Projects” (“大環境、大客戶、大項目”) and does its best in core strategic regions in order to improve market shares, brand influence and operating profit.

Core technical equipment and MCC steel structure: for equipment manufacture business, the Company adheres to the principles of “refining and streamlining” (去粗取精), “removing low and maintaining high” (去低留高) and insists on “professional, refined, special and new” (專精特新) development path. It eliminates immediately low-end and low-technology manufacturing enterprises with weak market competitiveness and only a small number of high-end production enterprises that is able to support the national business of the first progression ladder can survive. It accelerates the technologies of metallurgical construction of iron and steel and the “professional” development direction are encapsulated in the deep integration and continuous enhancement of production (craftsmanship) and equipment technology. In the end, intelligent equipment products shall treat equipment as a carrier, integrating core craftsmanship and technology of model control, and advanced technology as a representative, and step up the comprehensive application in the market in order to become a real “hard support of the national construction of metallurgical iron and steel, enhancing international competitiveness and positioning at top-notch among the iron and steel enterprises on a global scale. The Company grasps the market opportunities of residential industrialization in accordance with the demands of infrastructure of the State for developing steel structure business with construction enterprise as a subject. It sticks to the principle of Supporting the better and stronger (扶優扶強) and integrates the existing resources to build a united brand of MCC Steel Structure. The Company does stronger for steel structure while vigorously developing civil buildings and infrastructure steel structure with a focus on exploring steel structure including super high-rise buildings, municipal infrastructure, bridges, nuclear power and ocean in order to improve economic benefits of the steel structure business.

Environment engineering and alternative energy: The Company strengthens research in energy conservation and environmental protection technology and equipment and metallurgical and other segments. It concentrates on developing emerging industries including sewage treatment and pipe network operation, reusable water, solid waste treatment, soil remediation and energy conservation and emission reduction and photovoltaic power, etc., taking the market demand as a lead and driven by technical breakthroughs with capital strength and innovative business pattern as a “multiplier”, in a bid to become a construction contractor, technological equipment supplier and investment and operational service provider of strong strength and great brand influence, which formulates the technological standards of the industry domestically, acts as a model and sample and possess the rights to say in the industry.

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Special engineering: The Company integrates the existing strength of technological research, design and construction to serve solely as a unique new force and is committed to developing featured engineering construction business such as theme parks, theme culture construction, Universal Studios, ecological new cities and seawater desalination with dedicated efforts to be a leading enterprise of high technology, high-end products and high-end markets in the industry, taking the market demand as a lead and driven by technical breakthroughs with capital strength and innovative business pattern as a "multiplier", which formulates the technological standards of the industry domestically, acts as a model and sample and possess the rights to say in the industry.

(III) Operation Plan

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

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

(IV) Possible Risks and Measures Adopted by the Company

1. Risks Associated with Macro-Economy

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

2. Risks Associated with Traditional Metallurgical Engineering Segment

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

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3. Risks Associated with New Business Segment

Under the new normal, the Company leverages on the opportunities of “One Belt, One Road” (一帶一路) and the synergetic development of the Beijing-Tianjin-Hebei Region and Yangtze River Economic Zone to involve new business segments such as transportation and municipal infrastructure, environment and construction and alternative energy, special construction, urban comprehensive underground pipelines, sponge cities and featured theme parks. Once entering new business segments, the Company will participate in a new round of market competition and explore market based on new business model (i.e. PPP), and the overall resources allocation, investment progress management and receivables and profits of the Company will be affected. With a more competitive updated version of “Four Beams and Eight Pillars” (四梁八柱) business system, MCC will enlarge research and development of its core technology in new business segments, utilize its traditional comparative advantages and core competitiveness to rapidly capture the markets and integrate resources in respect of technique, human resources and project management and unleash its synergistic effect so as to seize the opportunities and catch the new express train of development.

4. Risks Associated with Property Development Business Segment

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

5. Risks Associated with International Operations

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

I. PROPOSAL FOR PROFIT DISTRIBUTION FOR ORDINARY SHARES OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

(I) Formulation, implementation or adjustment of cash dividend policy

The profit distribution policy prescribed in the Articles of Association is as below:

1. *Basic Principles for the Profit Distribution Policy*

- (1) The Company has given sufficient consideration to the returns to investors and the prescribed ratio of the Company's profit available to be distributed for the current year will be distributed to shareholders per annum.
- (2) The Company's profit distribution policy shall maintain consistency and stability and shall also take into the account of the Company's long-term interests, the interests of all shareholders as a whole and the sustainable development of the Company.
- (3) The Company shall give priority to distribute profit in the form of cash dividends. The Company shall take various factors into account, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangement, to propose a differentiated policy for distributing cash dividend pursuant to the procedures stipulated in the Articles of Association. The proportion of cash dividend to profits of the year shall be determined in compliance with the relevant laws, regulations, regulatory documents and rules of the stock exchange(s).

2. *Specific Policy Regarding the Company's Profit Distribution*

- (1) Forms of profit to be distributed: The Company may distribute dividend in the form of cash, shares or a combination of cash and shares. Under conditional circumstances, the Company may distribute interim dividends.

- (2) The specific conditions and ratios for the Company's cash dividend:

Except for the special occasions, if the Company makes a profit for a year and the accumulated undistributed profit is positive, the Company may distribute dividend in the form of cash, and the profits distributed in cash every year shall not be less than 15% of the Company's profit available to be distributed for the current year.

Special occasions shall refer one of the following:

- ① the Company's operating net cash flow is negative;
 - ② such other occasion occur when upon approval by the Shareholders' Meeting, less than 15% of the Company's profit available to be distributed for the current year is to be distributed in the form of cash dividend, including but not limited to no distribution of cash dividend due to major investment needs of the Company. The criteria of such major investment: the Company's expected total investment for next year exceeds 15% of the net assets in the Company's consolidated statement for the current year.
- (3) Specific conditions for the Company's distribution of share dividend:

The Company's operation is good and the Board believes that the Company's share price does not match the Company's equity scale and that the distribution of share dividend can benefit the interests of all shareholders of the Company as a whole. Subject to satisfying the foregoing conditions for cash dividend, the proposal for share dividend distribution will be put forward.

SIGNIFICANT EVENTS

3. Procedures for Considering the Distribution Policy

- (1) The profit distribution policy of the Company shall be proposed by the Company's President Office and then submitted to the Company's Board of Directors and Supervisory Committee for consideration and approval. The Board will fully discuss the reasonableness of such profit distribution proposal. The special resolution is passed thereby and then submitted to the Shareholders' Meeting for consideration. Prior to the consideration of cash dividend distribution plan at the Shareholders' general meeting, the Company shall proactively communicate with its Shareholders, in particular, minority Shareholders, through various channels to receive opinions and request of those minority Shareholders and respond to their concerns in a timely manner.
- (2) The Board of Directors shall fully take into account matters such as the timing, the conditions and minimum ratio, the conditions for adjustment and the requirements of the decision-making procedures. The independent Directors shall explicitly give their views. The independent Directors shall seek the opinions of the minority shareholders, prepare a dividend distribution proposal accordingly and present it directly to the Board of Directors for consideration. When the Board resolves that the profit which is less than 15% of the Company's profit available to be distributed for the current year will be distributed in the form of cash and the profit distribution proposal so formed will be submitted to the Shareholders' Meeting for consideration, the Company shall make internet voting accessible to Shareholders subject to the applicable laws and regulations.

4. The withholding and exemption of income tax from dividends shall be conducted in accordance with the relevant laws and regulations.

5. 2015 Profit Distribution Proposal

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

6. Explanation on 2015 Profit Distribution Proposal and Opinions of Independent Directors

- (1) The reason for the total proposed cash dividend to be distributed being less than 30% of the net profit attributable to the shareholders of the listed company in the consolidated statement

The profit distribution proposal has satisfied the requirements of the relevant laws and regulations, and Articles of Association, and has also increased as compared with last year, which maintains the rationality and stability of the profit distribution. Meanwhile, after the profit distribution, the retained portion will be used in supporting the strategy development of the Company, and further advancing the value of the Company as a whole, which meets the fundamental interests of the Shareholders.

MCC is revitalizing in all aspects with leapfrog development. The Company shall proactively engage in the construction of emerging markets including urban comprehensive pipelines, sponge city, beautiful countryside and smart city, and accelerate the pace of "Going-global" depending on the national "One Belt, One Road" strategy, which shall further increase the result and achieve the continuous development of the Company.

SIGNIFICANT EVENTS

(2) Exact Use of the Undistributed Profits Retained and Expected Earnings

Pursuant to the characteristics of the construction industry, a large quantity of working capital is required during the course of daily management of the Company. As a result, the retained earnings will be used to satisfy the needs of daily operating funds and to support the turnover for daily operation of the business. The Company will continue to enhance the efficiency of fund operation so as to raise the level of overall profits of the Company and to have returns rewarded to Shareholders in a better manner.

(3) Opinions of the Independent Directors

The Company's 2015 profit distribution proposal complies with the provisions of the relevant laws, regulations and the Articles of Association, maintains the rationality and stability of the profit distribution, and also takes into the account the reasonable returns to investors and the sustainable development of the Company, fulfilling the long-term interests of investors and the needs of the Company's development. No interests of small or medium Shareholders are impaired. Independent Directors agree to the Resolution Regarding MCC's 2015 Profit Distribution (《關於中國中冶2015年度利潤分配的議案》) and agree to submit such to shareholders' general meeting for consideration and approval.

(II) The plans or proposals for profit distribution for ordinary shares and transfer of capital reserve to share capital of the Company for the recent three years (inclusive of the Reporting Period)

Unit: RMB'000

Dividend Year	Number of bonus shares to be distributed for every 10 shares (in share)	Amount of dividend to be distributed for every 10 shares (Yuan) (tax inclusive)	Number of shares to be transferred/ added for every 10 shares (in share)	Amount of cash dividend (tax inclusive)	Net profit	Ratio
					attributable to the Shareholders of the listed company in the consolidated statement for the dividend year	accounted for by net profit attributable to Shareholders of the listed company in the consolidated statement (%)
2015	0	0.55	0	1,051,050	4,801,562	21.89
2014	0	0.50	0	955,500	3,964,938	24.10
2013	0	0.61	0	1,165,710	2,980,864	39.10

SIGNIFICANT EVENTS

II. PERFORMANCE OF UNDERTAKINGS

Undertaking background	Type of undertaking	Undertaking party	Details of the undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
Undertakings in relation to the initial public offering	Solution to defects in property rights of lands	MCC Group and MCC	As considered and approved at the 2013 annual general meeting of the Company, the undertakings of Company and the Controlling Shareholder in relation to the application for the title certificates for defective properties were changed as follows: 1. With respect to a building with a gross floor area of 156.01 sq.m. and two land parcels with a total site area of 15,959.20 sq.m. in respect of which relevant certificates are expected to be applied successfully in future, the application period for such certificates shall be extended to 36 months upon approval of such matter by the general meeting of the Company; 2. The Company shall cease to apply any title certificates for 181 buildings and 11 land parcels, in respect of which relevant certificates cannot be successfully applied or the application for such certificates cannot be completed within a given period.	27 June 2014 to 26 June 2017	Yes	Yes. As at the end of the Reporting Period, the formalities in relation to the title certificate for 1 property were duly completed.	-	-
Undertakings in relation to the initial public offering	Solution of horizontal competition	MCC Group	MCC Group, the controlling shareholder of MCC, undertook to avoid being engaged in or taking part in any business which may compete horizontally with the principal business of MCC.	5 December 2008	No	Yes	-	-
Undertakings in relation to the non-public offering	Others	MCC Group: Directors, Supervisors and senior management of MCC	Special Self-Inspection Report On the Real Estate Business for the Purpose of the Nonpublic Issuance of A Shares of the China Metallurgical Group Corporation disclosed MCC's development of domestic commodity houses during the Reporting Period, in a true, accurate and complete manner.	29 September 2015	No	Yes		
Other undertakings	Trading moratorium for shares	MCC Group	MCC Group undertook to lock up its 12,265,108,500 shares in the Company, representing 64.18% of the total number of shares of the Company, for another three years upon expiry of the lock-up period on 21 September 2012 until 20 September 2015. On 8 July 2015, MCC Group undertook to further lock up the shares until 31 December 2015.	21 September 2012 to 31 December 2015	Yes	Yes	-	-

III. THE STATUS OF CAPITAL USED AND SETTLEMENT AS AT THE END OF THE REPORTING PERIOD

During the Reporting Period, the controlling shareholders and other connected parties did not use the Company's non-operating capital.

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM AND REMUNERATION OF AUDITORS

Current Appointment

Name of the accounting firm	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)
Remuneration of the accounting firm	RMB22.3 million
Term of audit by the accounting firm	2 years

	Name	Remuneration
Accounting firm for internal control audit	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)	RMB3 million

As approved at its 2014 annual general meeting, the Company has continued to engage Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) ("Deloitte Touche Tohmatsu") as its auditors for the year 2015 to conduct the annual and interim audits on the financial statements of the Company prepared under the Chinese Accounting Standards for Business Enterprises. Meanwhile, Deloitte Touche Tohmatsu has also provided the Company with internal control audit services in relation to financial reporting and financial statutory audit services for certain domestic subsidiaries.

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

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

V. RISK EXPOSURES TO SUSPENSION OF LISTING

Applicable Not Applicable

VI. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable

VII. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Company did not have any material litigation and arbitration that had material adverse impacts on its production and operation significantly.

SIGNIFICANT EVENTS

VIII. THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND ACQUIRER OF THE COMPANY

Applicable Not Applicable

IX. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

During the Reporting Period, the Company and MCC Group, its Controlling Shareholder, did not have any court ruling in effect that was yet to be executed nor overdue liabilities with a relatively significant outstanding amount and was not otherwise involved in other similar circumstances.

X. EQUITY INCENTIVE PLAN, EMPLOYEE STOCK OWNERSHIP PLAN OR OTHER EMPLOYEE INCENTIVES OF THE COMPANY AND THEIR IMPACT

1. During the Reporting Period, the Company did not have any equity incentive plan.
2. Employee Stock Ownership Plan

To further advance the reforms in state-owned enterprises, optimize the incentive and restraint mechanism and facilitate its long-term, sustainable and healthy development, the Company laid out the framework for the Employee Stock Ownership Plan during the Reporting Period, and the definitive plan is still under discussion and analysis.

XI. MATERIAL CONNECTED TRANSACTIONS/CONNECTED TRANSACTIONS

Connected transaction related to day-to-day operation/continuous connected transactions

Set out below are the annual caps of the continuing connected transactions of the Company during the Reporting Period and the actual amount of the continuing connected transactions of the Company in 2015

Unit: RMB'000

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Annual caps of 2015	Amount of connected transaction	Percentage to similar transactions (%)	Payment method for connected transaction	Market Price	Reason for the significant difference between transaction price and reference market price
MCC Group and its subsidiaries (Except MCC)	Controlling shareholder	Other outflow	House rental	leases	-	76,000	50,535	6.94	-	-	-
Total				/	/	/	50,535	/	/	/	
Details of substantial sales return											N/A
Description of connected transaction											N/A

The 70th meeting of the first session of the Board of Directors was convened on 27 June 2014, considered and approved the Resolution in relation to the Application of Annual Caps for the Routine Connected Transactions/Continuing Connected Transactions for 2015–2017. The cap for the routine connected transactions/continuing connected transactions between MCC and its subsidiaries and MCC Group for 2015–2017 was agreed, of which the cap for property lease from MCC Group for 2015–2017 amounted to RMB76 million, RMB78 million and RMB78 million, respectively.

The Company's Independent Non-executive Directors have reviewed the aforementioned connected transactions and confirmed that these transactions have been entered into:

- (1) in the ordinary course of business of the Company;
- (2) either on normal commercial terms or on terms no less favourable to the Company than those available to or provided from (as appropriate) independent third parties as the Company is concerned; and
- (3) in accordance with the terms of the agreements governing them that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditors were engaged to report on the Company's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their conclusions in respect of the continuing connected transactions disclosed by the Company on pages 75 of the Annual Report in accordance with Rule 14A.56 of the Hong Kong Listing Rules. A copy of such letter has been provided by the Company to Hong Kong Stock Exchange.

SIGNIFICANT EVENTS

XII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Trusteeship, contracting and leasing

The Company has no material trusteeship, contracting or leasing during the Reporting Period.

(II) Guarantees

Unit: RMB'000

External guarantees provided by the Company (excluding guarantees provided to subsidiaries)

Guarantor	Relationship between guarantor and the listed company		Guaranteed party	Guaranteed amount	Date of guarantee (agreement execution date)	Commence-ment date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Amount overdue under the guarantee	Whether any counter guarantee was available	Whether guarantee for a related party	Related party relationship
	Relationship between guarantor and the listed company	Guaranteed party												
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	CERI Yingkou Technology Co., Ltd.	Equipment	0 ⁽¹⁾	14 January 2009	14 January 2009	14 July 2015	Under joint liabilities	Yes	No	0	No	No	-
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	CERI Yingkou Technology Co., Ltd.	Equipment	178,000 ⁽²⁾	18 June 2009	18 June 2009	10 December 2017	Under joint liabilities	No	No	0	No	No	-
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	CERI Yingkou Technology Co., Ltd.	Equipment	124,600 ⁽³⁾	2 February 2010	2 February 2010	2 December 2017	Under joint liabilities	No	No	0	No	No	-
China 22 MCC Group Co., Ltd.	Wholly-owned subsidiary	Hebei Steel Luan County Sijaying Iron Ore Co., Ltd.		0 ⁽⁴⁾	7 September 2007	7 September 2007	6 September 2015	Under joint liabilities	Yes	No	0	No	No	-
China Huayue Group Co., Ltd.	Wholly-owned subsidiary	Handan Iron & Steel Co., Ltd. (邯鄲鋼鐵集團有限責任公司)		0 ⁽⁵⁾	19 December 2003	19 December 2003	19 December 2015	Under joint liabilities	Yes	No	0	No	No	-

SIGNIFICANT EVENTS

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	-309,931
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	302,600
Guarantees provided by the Company to its subsidiaries	
Total amount of guarantees incurred by the Company to its subsidiaries during the Reporting Period	208,368
Total balance of guarantees provided by the Company to its subsidiaries as at the end of the Reporting Period (B)	10,723,153
Total guarantees provided by the Company (including guarantees to subsidiaries)	
Total amount of guarantees (A+B)	11,025,753
Total amount of guarantees as a percentage of the Company's net assets (%)	18.21
Including:	
Amount of guarantees provided to shareholders, the de facto controller and their related parties (C)	0
Debt guarantees directly or indirectly provided to parties with gearing ratio of over 70% (D)	8,899,564
The excess of total amount of guarantees over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	8,899,564
Explanation of the potential joint liquidity liability arising from the outstanding guarantees	Not applicable
Explanation of the guarantees	None

- Note (1): The previous amount of total guarantees was RMB166.69 million. According to the loan and guarantee agreement, loans are consecutively falling due during the guaranteed period. The guarantee agreement expired and completed on 14 July 2015.
- (2): The previous amount of total guarantees was RMB247.80 million. According to the loan and guarantee agreement, loans are consecutively falling due during the guaranteed period. The guarantees amount was RMB178.00 million as at the end of the Reporting Period.
- (3): The previous amount of total guarantees was RMB354.00 million. According to the loan and guarantee agreement, loans are consecutively falling due during the guaranteed period. The guarantees amount was RMB124.60 million.
- (4): The previous amount of total guarantees was RMB20.58 million. The guarantee agreement expired and completed on 6 September 2015.
- (5): The previous amount of total guarantees was RMB28.761 million. The guarantee agreement expired and completed on 19 December 2015.
- (6): During the Reporting Period, most guarantees incurred were negative, mainly because the guarantees expired were more than the amount of new guarantees.

(III) Entrusting third parties with cash asset management

1. Entrusted financial management

During the Reporting Period, there was no entrusted financial management in the Company.

SIGNIFICANT EVENTS

2. Entrusted loans

Unit: RMB'000

Name of the lender	Name of the borrower	Amount of entrusted loan		Interest rate of loan		Collateral or guarantor	Overdue or not	Connected transaction or not	Extended or not	Involving proceedings or not	Connected relationship	Profit or loss of the investment
		loan	Term of loan	Use of loan	Use of loan							
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd. (四川航冶實業有限公司)	10,005	2014/12/4 to 2016/12/3	15%	Engineering segment	None	No	No	Yes (1)	No	Associated company	1500.75
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd. (四川航冶實業有限公司)	4,070	2015/1/23 to 2016/1/22	15%	Engineering segment	None	No	No	No	No	Associated company	573.19
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd. (四川航冶實業有限公司)	9,360	2015/8/19 to 2016/8/18	15%	Engineering segment	None	No	No	No	No	Associated company	514.80

Note (1): on 3 December 2015, the entrusted loan was extended for one year after due.

3. Other investments in financial management and derivatives

Applicable Not Applicable

(IV) Other material contracts

1. Set out below are material contracts of engineering and construction in the PRC with contractual amounts over RMB2 billion, signed by the Company during the Reporting Period:

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party/Parties	Performance Term
1	EPC Contract of Iron and Steel Relocation, Upgrading and Transformation Project of Hebei Taihang Iron & Steel Group (河北太行鋼鐵集團鋼鐵退城搬遷升級改造項目施工總承包合同)	68.0	China MCC 20 Group Co., Ltd.	40 months
2	EPC of the Tongliao to Lubei Part of Changchun to Shenzhen Expressway's Xinmin to Lubei Connecting Line (長春至深圳高速公路新民至魯北聯絡線通遼至魯北段施工總承包)	45.7	MCC Communication Construction Group Co., Ltd.	33 months
3	Phase II of Wanbo Plaza Project in Baoding City (保定市萬博廣場二期工程)	45.0	China MCC 20 Group Co., Ltd.	19 months

SIGNIFICANT EVENTS

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party/Parties	Performance Term
4	General Construction Contract of Xinmi Xuanyuan Sacred Site Huang-di Native Place Cultural Industrial Park (新密軒轅聖境黃帝故里文化產業園項目施工總承包合同)	41.0	Shanghai Baoye Group Corp., Ltd.	Depending on the progress
5	Extension Project of Zunyi-Suiyang Highway (遵義至綏陽高速公路延伸線項目)	35.0	MCC Communication Construction Group Co., Ltd.	32 months
6	Reconstruction Project of the Old Town in Northern Part of Gaoqing County and Huanghelou Tourist Technology Industrial Zone (高青縣北區舊城成片改造項目、黃河樓旅遊產業園)	33.7	MCC Northeast Construction Development Co., Ltd., Beijing MCC Equipment Research & Design Corporation Ltd. and China MCC 17 Group Co., Ltd.	36 months
7	EPC Project for the design and construction of Lanzhou Polytechnic Vocational College in the Lanzhou New District under the Integrated Urban Construction (蘭州新區職教園區市級統建蘭州理工職業學院設計施工總承包項目)	33.2	China MCC 17 Group Co., Ltd.	20 months
8	Construction Project for Phase III of Innovation Park and Auxiliary Infrastructure of Haixi Park in Gaoxin District in Fuzhou (福州高新區海西園創新園三期及基礎配套設施建設項目)	33.0	Shanghai Baoye Group Corp., Ltd.	24 months
9	The Project for Introduction of Waste Heat to the City from Xibaipo Power Plant (西柏坡電廠廢熱引用入市工程)	30.0	China 22 MCC Group Co., Ltd.	17 months
10	Removal and Settlement in New City of Southern Part of Guizhou Renhuai City and Transformation of Shanty Town (Settlement Area for Concentrated and Systematic Construction) and Infrastructure Construction in part of Municipal Administration (貴州仁懷市南部新城拆遷安置及棚戶區改造(集中統建安置區)和部分市政基礎設施工程)	30.0	China First Metallurgical Group Co., Ltd.	120 months
11	High-speed Reconstruction Engineering of Guanggu Avenue and Integrated Reconstruction Engineering of Third-Ring Road (光谷大道快速化改造工程、三環線綜合改造工程)	26.9	WISDRI Engineering & Research Incorporation Limited	24 months

SIGNIFICANT EVENTS

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party/Parties	Performance Term
12	Engineering of Exhibition Centre in International Development and Opening-up Headquarters Base of Hanan New Town (哈南新城國際開發開放總部基地—展覽中心工程)	25.0	MCC TianGong Group Corporation Limited	15 months
13	Hebei Xinjiuyuan International Wine Package Cultural Industrial Park Project (河北鑫久源國際酒品包裝文化產業園項目)	24.2	China MCC 19 Group Co., Ltd.	22 months
14	General Construction Contracting of Daban-Jingpeng Section of Dandong-Xilinhot National Highway (JDSG) (丹東至錫林浩特國家高速公路大板至經棚段公路建設項目施工總承包標段(JDSG))	23.1	MCC Communication Construction Group Co., Ltd.	42 months
15	Construction Project of Integrated Subterranean Piping Systems in Baiyin City (白銀市地下綜合管廊建設工程)	20.4	China First Metallurgical Group Co., Ltd.	24 months
16	The Project of Fengyang Production Base (鳳陽生產基地項目)	20.0	China MCC 17 Group Co., Ltd.	Depending on the progress
17	EPC of Construction and Installation of Jinzhong City Yingbin Square Wang Fu Jing Project (CBD) (晉中市迎賓廣場王府井項目(CBD)建築安裝工程施工總承包項目)	20.0	China MCC 5 Group Co., Ltd.	37 months
18	Industrial Restructuring Project of Hebei Yong Yang Special Steel Group Co., Ltd.* (河北永洋特鋼集團有限公司產業重組項目)	20.0	China Huaye Group Co., Ltd.	Depending on the progress
19	Yidian Town Construction Contract in Shanxi (山西伊甸城施工合同)	20.0	MCC TianGong Group Corporation Limited	37 months

SIGNIFICANT EVENTS

2. Set out below are material contracts of overseas engineering contracting with contractual amounts over RMB2 billion, signed by the Company during the Reporting Period:

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party/Parties	Performance Term
1	Phase II of Highway Project in Central Sri Lanka (斯里蘭卡中部高速公路第二期項目)	66.0	Metallurgical Corporation of China Ltd.	48 months
2	Agricultural Products Logistics Park in St. Petersburg, Russia (俄羅斯聖彼得堡農業產品物流園)	25.4	Metallurgical Corporation of China Ltd.	60 months
3	Construction Project of Ferronickel Processing Plant with the Annual Output of 600,000 Tonnes of Indonesia Guangqing Nickel Co., Ltd. (印尼廣青鎳業有限公司年產60萬噸鎳廠項目施 工工程)	23.4	China MCC 20 Group Co., Ltd.	20 months

XIII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

- Applicable Not Applicable

XIV. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Performance of social responsibilities

For details, please refer to the 2015 Social Responsibility Report separately disclosed by the Company.

(II) Environmental protection of the listed company and its subsidiaries categorized in highly polluting industries as stipulated by the national environmental protection department

During the Reporting Period, the Company was not involved in the highly polluting industries as stipulated by the national environmental protection department.

XV. CONVERTIBLE CORPORATE BONDS

- Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN THE ORDINARY SHARE CAPITAL

(I) Table of changes in ordinary Shares

1. Table of changes in ordinary Shares

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

2. Explanation on the changes in ordinary Shares

Not applicable.

3. Impact of changes in ordinary Shares on financial indicators of earnings per share and net asset per share, etc. of the latest year and latest period (if applicable)

Not applicable.

4. Other information the disclosure of which is deemed necessary by the Company or is required by securities regulatory authorities

Not applicable.

(II) Change in Shares subject to trading moratorium

Applicable Not Applicable

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issue of securities during the Reporting Period

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

(II) Changes in total number of ordinary Shares and Shareholder structures and changes in asset and liability structures of the Company

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

(III) Existing internal employee Shares

There were no internal employee Shares of the Company during the Reporting Period.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of Shareholders

Total number of ordinary Shareholders of the Company as at the end of the Reporting Period (households)	639,217
Total number of ordinary Shareholders of the Company as at 29 February 2016 (households)	624,255

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable shares not subject to selling restrictions held	Types and number of Shares	
		Types of Shares	Number of Shares
China Metallurgical Group Corporation	12,265,108,500	RMB-denominated ordinary shares	12,265,108,500
HKSCC Nominees Limited	2,841,775,000	Overseas-listed foreign shares	2,841,775,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	277,081,358	RMB-denominated ordinary shares	277,081,358
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
China Construction Bank –SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行– 上證180交易型開放式指數證券投資基金)	13,832,725	RMB-denominated ordinary shares	13,832,725
Huang Canliang (黃燦良)	12,530,160	RMB-denominated ordinary shares	12,530,160
Li Jinwen (李錦文)	11,076,245	RMB-denominated ordinary shares	11,076,245
Industrial and Commercial Bank of China Limited – Harvest Event-driven Securities Investment Fund (中國工商銀行股份有限公司– 嘉實事件驅動股票型證券投資基金)	10,879,000	RMB-denominated ordinary shares	10,879,000
Industrial and Commercial Bank of China Limited – Huatai Bairui CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司– 華泰柏瑞滬深300交易型開放式指數證券投資基金)	10,574,135	RMB-denominated ordinary shares	10,574,135
Bank of China Limited – Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司– 嘉實滬深300交易型開放式指數證券投資基金)	10,158,010	RMB-denominated ordinary shares	10,158,010

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

Note 1: Figures in the table were extracted from the Company's register of Shareholders as of 31 December 2015.

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

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

During the Reporting Period, none of the Shares of the Company were subject to selling restrictions.

(III) Strategic investors or general legal persons became one of the top 10 Shareholders as a result of the placing of the new Shares

Not applicable.

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

1. Particulars of the controlling shareholder of the Company:

Name	China Metallurgical Group Corporation
Person in charge or legal representative	Guo Wenqing
Date of incorporation	18 December 1982
Principal business Operations	Scope of business operations: General contracting of various kinds of domestic and international engineering; various kinds of engineering and technology consulting services and leasing of engineering equipment; technology development, technical services, technical exchange and transfer of technology of new materials, new techniques, and new products related to engineering and construction; development, production and sales of equipment required for the metallurgical industry; development and operation of real estate; bidding agent; undertaking various types of international industrial and civil construction, engineering consulting, surveying, design and leasing of equipment; import and export business; sales of mechanical and electrical products, cars, building materials, instrument and apparatus, and hardware and electric materials; research, planning, survey, design, supervision and services for construction and installation projects of mechanical and electrical equipment and related technology; development and sale of raw materials and products of papermaking; resource development, processing and utilization of metallic mineral products and relevant services.
Equity interests in other domestic and overseas listed companies controlled and held by the Company during the Reporting Period	As at the end of the Reporting Period, MCC Group had an indirect shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (SHE: 000751) through MCC Huludao Nonferrous Metals Group Co., Ltd.

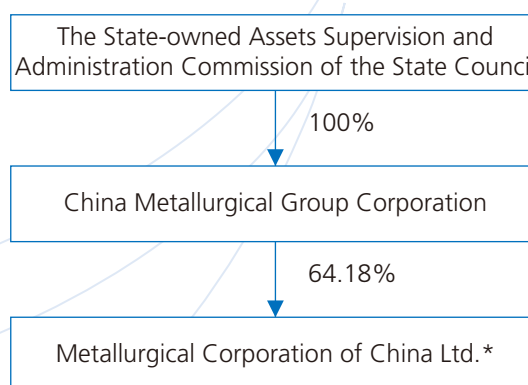
CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

2. Index and the date of changes of the controlling Shareholder during the Reporting Period

There was no change in the controlling shareholder of the Company during the Reporting Period.

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

3. The equity and controlling relationship between the Company and the Controlling Shareholder



(II) De facto controller

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

V. OTHER CORPORATE SHAREHOLDERS HOLDING MORE THAN 10% OF THE COMPANY'S SHARES

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

VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

VII. DISCLOSURE OF INTERESTS

(I) Interests and short positions of Directors, Supervisors and chief executives in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at 31 December 2015, as far as the Company is aware, details of the interests or short positions of the Directors, Supervisors and the chief executives of the Company or their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code or the rights granted for the purchase of Shares or debentures of the Company or any of its associated corporations are as follows:

Unit: Share

Name	Position	Class of Shares	Long/short position	Capacity	Number of Shares	Percentage of the relevant class of Shares in issue (%)	Percentage of the total Shares in issue (%)
Directors							
Guo Wenqing	Chairman and executive Director	A Shares	Long position	Beneficial owner	130,000	0	0
Zhang Zhaoxiang	President and executive Director	A Shares	Long position	Beneficial owner	80,000	0	0
Jing Tianliang	Non-executive Director	A Shares	Long position	Beneficial owner	117,500	0	0
Lin Jinzhen	Employee representative Director (Non-executive Director)	A Shares	Long position	Beneficial owner	60,000	0	0
Supervisors							
Li Shiyu	Chairman of the Supervisory Committee	A Shares	Long position	Beneficial owner	60,000	0	0
Peng Haiqing	Supervisor	A Shares	Long position	Beneficial owner	41,500	0	0
Shao Bo	Employee representative Supervisor	A Shares	Long position	Beneficial owner	34,800	0	0
				Interests of spouse	1,000	0	0

Save as disclosed above and as at 31 December 2015, as far as the Company is aware, none of the Directors, Supervisors or chief executives of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which are recorded in the register of the Company required to be kept pursuant to Section 352 of the Securities and Futures Ordinance, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange by Directors or Supervisors pursuant to the Model Code.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

(II) Interests and short positions of other senior management in the Shares, underlying Shares and debentures of the Company and its associated corporations

As at 31 December 2015, as far as the Company is aware, Shares of the Company held by other senior management of the Company are as follows:

Unit: Share

Name	Position	Class of Shares	Long/short position	Capacity	Number of Shares	Percentage of the relevant class of Shares in issue (%)	Percentage of the total Shares in issue (%)
Wang Yongguang	Vice President	A Shares	Long position	Beneficial owner	50,000	0	0
Zhang Mengxing	Vice President	A Shares	Long position	Beneficial owner	60,000	0	0
Xiao Xuewen	Vice President and Secretary to the Board	A Shares	Long position	Interests of spouse	161,000	0	0
Zou Hongying	Vice President and Chief Accountant	A Shares	Long position	Beneficial owner	40,000	0	0
Huang Dan	Vice President (resigned)	A Shares	Long position	Beneficial owner	60,000	0	0
Wang Xiufeng	Vice President (resigned)	A Shares	Long position	Beneficial owner	60,000	0	0
Kang Chengye	Secretary to the Board and Company Secretary (resigned)	A Shares	Long position	Beneficial owner	60,000	0	0

(III) Interests and short positions of substantial Shareholders and other persons in the Shares and underlying Shares of the Company

As at 31 December 2015, the Company had been informed by the following persons that they had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance:

Holders of A Shares

Unit: Share

Name of substantial shareholder	Capacity	Number of A Shares held	Nature of interest	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued Shares (%)
China Metallurgical Group Corporation	Beneficial owner	12,265,108,500	Long position	75.53	64.18

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2015, no other person or corporation was recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance as having an interest or short position in the Company's share capital that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

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

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

IX. MINIMUM PUBLIC FLOAT

During the Reporting Period and as of the Latest Practicable Date prior to the publication of this report (i.e. 29 March 2016), the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

X. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders. Subject to the Hong Kong Listing Rules, pursuant to the Articles of Association, the Company may increase its registered capital by issuing Shares through public or non-public offering, issuing bonus Shares to the existing Shareholders, converting capital reserve to share capital or using other methods as allowed by applicable laws and administrative regulations or approved by relevant authorities.

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

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

I. PARTICULARS OF CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Particulars of shareholding and remuneration of current and resigned Directors, Supervisors and senior management during the Reporting Period

Unit: Share

Name	Position	Gender	Age	Commencement date of term of office	End date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Changes in Shares during the year	Reason for the changes	Total remuneration before tax obtained from the Company during the Reporting Period ('0'000)	Whether obtained remuneration from the connected parties of the Company
Guo Wenqing	Chairman and executive Director	Male	51	2014-11-13	Till the expiry date of the term of office of the second session of the Board	130,000	130,000	0	-	67.32	No
Zhang Zhaoxiang	Executive Director and President	Male	52	2014-11-13	Till the expiry date of the term of office of the second session of the Board	80,000	80,000	0	-	61.92	No
Jing Tianliang	Non-executive Director	Male	70	2014-11-13	Till the expiry date of the term of office of the second session of the Board	150,000	117,500	-32,500	Reduction of shareholding via secondary market	12.80	No
Yu Hailong	Independent Non-executive Director	Male	65	2014-11-13	Till the expiry date of the term of office of the second session of the Board	0	0	0	-	14.60	No
Ren Xudong	Independent Non-executive Director	Male	62	2014-11-13	Till the expiry date of the term of office of the second session of the Board	0	0	0	-	15.10	No
Chan Ka Keung Peter	Independent Non-executive Director	Male	64	2014-11-13	Till the expiry date of the term of office of the second session of the Board	0	0	0	-	14.50	No
Lin Jinzhen	Employee representative Director	Male	54	2014-11-13	Till the expiry date of the term of office of the second session of the Board	60,000	60,000	0	-	79.99	No
Li Shiyu	Chairman of the Supervisory Committee (Served as the Vice President and Chief Accountant (chief financial officer) of the Company before 12 May 2015)	Male	59	2015-6-26	Till the expiry date of the term of office of the second session of the Supervisory Committee	80,000	60,000	-20,000	Reduction of shareholding via secondary market	59.38	No
Peng Haiqing	Supervisor	Male	44	2014-11-13	Till the expiry date of the term of office of the second session of the Supervisory Committee	55,000	41,500	-13,500	Reduction of shareholding via secondary market	56.99	No

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Commencement date of term of office	End date of term of office	Number of Shares held at the beginning of the year	Number of Shares held at the end of the year	Changes in Shares during the year	Reason for the changes	Total remuneration before tax obtained from the Company during the Reporting Period ('0'000)	Whether obtained remuneration from the connected parties of the Company
Shao Bo	Employee representative Supervisor	Male	52	2014-11-13	Till the expiry date of the term of office of the second session of the Supervisory Committee	46,000 ⁽¹⁾	34,800 ⁽¹⁾	-11,200	Reduction of shareholding via secondary market	74.99	No
Wang Yongguang	Vice President	Male	57	2014-11-13	Till the appointment of the next session of senior management by the next session of the Board of the Company	50,000	50,000	0	-	61.43	No
Zhang Mengxing	Vice President	Male	52	2015-5-12	Till the appointment of the next session of senior management by the next session of the Board of the Company	60,000	60,000	0	-	21.01	No
Xiao Xuewen	Vice President and Secretary to the Board	Male	47	2015-5-12 2015-7-6	Till the appointment of the next session of senior management by the next session of the Board of the Company	161,000 ⁽¹⁾	161,000 ⁽¹⁾	0	-	21.01	No
Zou Hongying	Vice President and Chief Accountant	Female	51	2015-5-12	Till the appointment of the next session of senior management by the next session of the Board of the Company	40,000	40,000	0	-	21.01	No
Xu Xiangchun	Former chairman of the Supervisory Committee	Male	54	2014-11-13	May 2015; Continued to perform duties as a supervisor till 26 June 2015	0	0	0	-	21.76	No
Huang Dan	Former Vice President	Female	54	2014-11-13	June 2015	80,000	60,000	-20,000	Reduction of shareholding via secondary market	17.74	No
Wang Xiufeng	Former Vice President	Male	45	2014-11-13	May 2015	80,000	60,000	-20,000	Reduction of shareholding via secondary market	31.45	No
Kang Chengye	Former Secretary to the Board and Company Secretary	Male	58	2014-11-13	July 2015	80,000	60,000	-20,000	Reduction of shareholding via secondary market	51.84	No
Total	/	/	/	/	/	1,152,000	1,014,800	-137,200	/	704.90 ⁽²⁾	/

Note (1): Shares of the Company held by Mr. Shao Bo comprises 1,000 shares held by his spouse; the spouse of Mr. Xiao Xuewen held 161,000 A Shares of the Company.

(2): The discrepancies between total remunerations and total added amounts are caused by rounding.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Guo Wenqing	<p>Born in December 1964, Chinese nationality with no right of abode overseas, Mr. Guo is currently the Chairman (executive Director and legal representative) and secretary of the Communist Party Committee of the Company, as well as the chairman (legal representative), and secretary of the Communist Party Committee of MCC Group. Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority (河北省高速公路管理局), chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited (河北省高速公路開發有限公司) and director of the Hebei Province Ports Authority (河北省港航管理局) since 1994. From 2002 to 2008, Mr. Guo served as secretary of the Communist Party Committee, executive director and deputy general manager of CRBC International Co., Ltd. (路橋集團國際建設股份有限公司). Mr. Guo served as deputy secretary of the Communist Party Committee and Director of the Company from December 2008 to August 2012, and director and deputy secretary of the Communist Party Committee of MCC Group from April 2009 to July 2012. From July 2012 to August 2014, Mr. Guo served as vice chairman, general manager (legal representative) and deputy secretary of the Communist Party Committee of MCC Group. From August 2014 to April 2015, he served as the chairman (legal representative), general manager and deputy secretary of the Communist Party Committee of MCC Group. Since April 2015, he served as the chairman (legal representative) and secretary of the Communist Party Committee of MCC Group. Meanwhile, he served as secretary of the Communist Party Committee of the Company since August 2012, and the Chairman (executive Director and legal representative) of the Company since September 2013. Mr. Guo graduated from Hebei University of Science and Technology with a bachelor's degree in business administration, and obtained an executive MBA degree from Tsinghua University. Mr. Guo is a professional-level senior engineer and a senior political engineer (高級政工師).</p>
Zhang Zhaoxiang	<p>Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently an executive Director, the president, deputy secretary of the Communist Party Committee of the Company, and concurrently the general manager and deputy secretary of the Communist Party Committee of MCC Group. Mr. Zhang successively served as engineer, deputy director of the Jinchuan Branch, director of the General Office and vice president of Beijing Research Institute of Non-ferrous Metallurgical Equipment (北京有色冶金設計研究總院), and vice president of China Non-ferrous Engineering and Research Institute (中國有色工程設計研究總院). From January 2004 to August 2008, Mr. Zhang served as the president and secretary of the Communist Party Committee of China Non-ferrous Engineering and Research Institute and executive director, general manager and secretary of the Communist Party Committee of China Non-ferrous Engineering Corporation Ltd. (中國有色工程有限公司) from August 2008 to November 2008 (during which, he was also the chairman and general manager of China Enfi Engineering Corporation (中國恩菲工程技術有限公司) from December 2005 to February 2008 and the chairman thereof between February 2008 and November 2008). From November 2008 to September 2013, Mr. Zhang was a Vice President of the Company. He was appointed as the President of the Company with effect from September 2013 and took the position as executive Director of the Company from June 2014. He served as general manager and deputy secretary of the Communist Party Committee of the MCC Group since April 2015 and deputy secretary of the Communist Party Committee of the Company since May 2015. Mr. Zhang obtained his bachelor's and master's degrees in chemical machinery from Tianjin University and an MBA degree from Peking University afterwards. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Jing Tianliang	<p>Born in August 1945, Chinese nationality with no right of abode overseas, Mr. Jing is currently a non-executive Director of the Company, and external director of Baosteel Group Corporation (寶鋼集團有限公司) and State Development & Investment Corporation (國家開發投資公司). He served as deputy director of the Ministry of Coal Industry (煤炭工業部), the Ministry of Energy Resources (國家能源局) and China National Coal Corporation (中國統配煤礦總公司), the chairman and general manager of China Coal Industrial Import and Export Corporation (中國煤炭工業進出口集團公司), director of the General Office of the Ministry of Coal Industry, director of the General Office and the Department of Foreign Affairs of the State Administration of Coal Industry (國家煤炭工業局), general manager of China National Coal Group Corporation (中國中煤能源集團有限公司) and the chairman of China Coal Energy Company Limited (中國中煤能源股份有限公司), etc. Mr. Jing served as external director of Baosteel Group Corporation since January 2009 and was the chairman of MCC Group from March 2010 to August 2014. From June 2010 to September 2013, he served as the Chairman of the Company and became an external director of State Development & Investment Corporation since May 2011. Mr. Jing graduated from Xi'an Mining Institute with an associate degree in electrical and mechanical engineering. He is a professor-level senior engineer and entitled to a special government subsidy granted by the State Council.</p>
Yu Hailong	<p>Born in August 1950, Chinese nationality with no right of abode overseas, Mr. Yu currently serves as an Independent Non-executive Director of the Company, and an independent director of China State Construction Engineering Corporation (中國建築股份有限公司) and Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司). Mr. Yu served as deputy director of State Economic and Trade Commission Personnel Bureau (國家經委人事局) since February 1983, director of the office and project investigation department of China Kangfu International Leasing Co., Ltd. under the Ministry of Foreign Trade and Economic Cooperation (外經貿部中國康富國際租賃公司) since February 1988, and deputy director of the office (in charge of work) of National Machinery and Electric Qingfang Investment Co., Ltd. (國家機電輕紡投資公司) since June 1992. Mr. Yu served as director of the office and secretary of the Communist Party Committee of State Development & Investment Corporation (國家開發投資公司), and general manager of State Development & Investment (Electronics) Corporation (國投電子公司) and State Development & Investment (High Technology and Pioneering) Corporation (國投高科技創業公司) since March 1994. He served as general manager and deputy secretary of the Communist Party Committee of China New Era Group Corporation (中國新時代控股集團公司) since April 2002 and general manager, member of the standing committee of the Communist Party Committee and director of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司) from May 2010 to September 2012. Mr. Yu is a professor-level senior engineer with a master's degree in engineering management.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Ren Xudong	<p>Born in November 1953, Chinese nationality with no right of abode overseas, Mr. Ren currently serves as an Independent Non-executive Director of the Company, managing vice president and deputy secretary of the Communist Party Committee of China Nonferrous Metal Industry Association (中國有色金屬工業協會), independent director of Zhejiang Hailiang Co., Ltd. (浙江海亮股份有限公司), independent director of Shenzhen Zhongjin Lingnan Nonfermet Company Limited (深圳市中金嶺南有色金屬股份有限公司), external director of China Aerospace Science and Industry Corp. (中航科工集團公司) and external director of China Reform Holdings Corporation Limited (中國國新控股有限公司). He served as deputy managing officer and managing officer of the office of China National Non-Ferrous Metals Industry Corporation (中國有色金屬工業總公司) from December 1995 to August 1998, deputy general manager, group deputy general manager, deputy secretary of the Communist Party Committee of China Nonferrous Mining Corporation Limited Zambia NFCA Mining Co., Ltd. (中色建設集團非洲 贊比亞 礦業有限公司), and deputy general manager and executive director of China Non-ferrous Group (HK) Co., Ltd. (中國有色金屬 香港 集團有限公司) from August 1998 to May 2002. Mr. Ren served as director, vice president and the president of China Mining International Co., Ltd. (中國礦業國際有限公司) and assistant to the president of China Minmetals Corporation (中國五礦集團有限公司) from May 2002 to December 2005. He also served as assistant to the general manager, deputy general manager and member of the Communist Party Committee of Aluminum Corporation of China (中國鋁業公司) from December 2005 to February 2013 and non-executive director of Chinalco Mining Corporation International from April 2011 to May 2013. He is a senior engineer with an associate degree.</p>
Chan Ka Keung Peter	<p>Born in April 1951, a citizen of Hong Kong, the PRC. He currently serves as an Independent Non-executive Director of the Company and CRR Corporation Limited (中國中車股份有限公司). Mr. Chan served as senior assistant of the Audit Department, manager of the Tax Department and senior manager of China Service Department in Ernst & Young, as well as chief financial officer of Dransfield Group. From January 1994 to December 2008, he served as a Beijing-based partner, a Beijing-based managing partner of Tax and Investment Advisory Service Department and managing partner of NPA Transaction Advisory Service Department of Ernst & Young successively. Mr. Chan graduated from The Hong Kong Polytechnic majoring in accounting. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia. Mr. Chan also served as a member of the executive committee of Hong Kong Chamber of Commerce in China from 1996 to 2003 and the chairman of Hong Kong Chamber of Commerce in China in 2000 and 2003.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Lin Jinzhen	<p>Born in July 1961, Chinese nationality with no right of abode overseas, Mr. Lin is currently an employee representative Director of the Company. Mr. Lin successively served as assistant engineer and principal staff member in the business administration office under the Infrastructure Construction Bureau (基建局企業管理處), as well as engineer in the general office of the construction department (建設司綜合處) of the Ministry of Metallurgical Industry (冶金工業部), engineer and senior engineer of China Metallurgical Construction (Group) Corporation (during preparation of its establishment) (中國冶金建設集團公司(籌備)), the deputy chief of the personnel division, the manager of the personnel department II, and deputy head of the human resources department of China Metallurgical Construction (Group) Corporation (中國冶金建設集團公司). He served as the head of the human resources department (head of the organizational department under the Communist Party Committee) of MCC Group from November 2003 to September 2013 (and of MCC from May 2009 onwards) and the head of organizational department under the Communist Party Committee of MCC from September 2013 to July 2014. From July 2014 to March 2015, he served as the director and secretary of the Communist Party of MCC TianGong Group Corporation Limited (中冶天工集團有限公司). He has served as employee representative Director of MCC Group since November 2006 and employee representative Director of MCC since October 2012. Mr. Lin graduated from Northeastern University (東北大學) with a bachelor's degree in mining and construction.</p>
Li Shiyu	<p>Born in May 1956, Chinese nationality with no right of abode overseas, Mr. Li is currently the Chairman of the Supervisory Committee of the Company. Mr. Li served as deputy director and director of the Accounting Division of the Finance Department of the 19th Engineering Bureau of the Ministry of Railway (鐵道部第十九工程局) and accountant of the Finance Department of China Railway Construction Corporation. He served as deputy director of the Finance Department of China Railway Construction Corporation from March 1996 to November 1998 and director of the Finance Department of China Railway Construction Corporation from November 1998 to December 2005. Mr. Li was deputy chief accountant of China Railway Construction Corporation from December 2005 to August 2006 and the chief accountant of MCC Group from August 2006 to September 2008. From November 2008 to May 2015, he served as Vice President and Chief Accountant (chief financial officer) of the Company and has been serving as the Chairman of the Supervisory Committee of the Company since June 2015. Mr. Li graduated from Liaoning University majoring in corporate management, and obtained a master's degree in accounting from Northern Jiaotong University. He is a senior accountant.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Peng Haiqing	<p>Born in June 1971, Chinese nationality with no right of abode overseas, Mr. Peng is currently a Supervisor and deputy director of finance department of the Company. Mr. Peng once served as assistant to director of the finance division, deputy director of the enterprise management office and deputy director of the economic office and secretary to manager of the 3rd company under Shanghai Bao Steel Metallurgical Construction Corp. (上海寶鋼冶金建設公司). He was the director of the cost management division of the finance office of Shanghai Bao Steel Metallurgical Construction Corp. from September 2000 to January 2003, the deputy director of the planning and finance department and the deputy director of the audit department of Shanghai Baoye Construction Corp., Ltd. (上海寶冶建設有限公司) from January 2003 to December 2005, and the director of the property office of the planning and finance department of MCC Group from January 2006 to November 2008. He served as director of the property office of the planning and finance department of the Company from December 2008 to June 2009 and deputy director of finance department of the Company since October 2012. Mr. Peng graduated from the department of economic management of the Qinhuangdao branch of Northeastern University with a bachelor's degree in industrial accounting, and Central University of Finance and Economics with a master's degree in accounting. He is a senior accountant.</p>
Shao Bo	<p>Born in November 1963, Chinese nationality with no right of abode overseas, Mr. Shao is currently an employee representative Supervisor and the head of the corporate strategy and management innovation department of the Company. He is also a part-time supervisor of MCC Group. Mr. Shao once served as assistant engineer, secretary of the Communist Youth League, engineer and deputy director of the business office at Beijing Central Engineering and Research Incorporation of Iron & Steel Industry (北京鋼鐵設計研究總院), vice division chief level investigator (副處級調研員) of the general office of the Ministry of Metallurgical Industry, assistant to the head and the deputy head (deputy general manager) of Beijing Central Engineering and Research Incorporation of Iron & Steel Industry (北京鋼鐵設計研究總院), as well as a director and secretary to the board of directors of MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司) and general manager (legal representative) of Beijing Dongxing Metallurgical New Technology and Development Corporation (北京東星冶金新技術開發公司). From February 2007 to September 2009, he served as standing deputy director of the Listing Office of MCC Group. From January 2009 to September 2012, he served as director of the Integrated Management Department of MCC Group. He served as part-time supervisor of MCC Group since March 2010, employee supervisor of MCC Group since January 2011 and the head of the corporate management department (renamed as the corporate strategy and management innovation department) of MCC since September 2012. Mr. Shao graduated from the East China College of Science and Technology (華東化工學院) majoring in coal chemical technology with a bachelor's degree and the Capital University of Economics and Business with a master's degree in industrial economics. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Wang Yongguang	<p>Born in March 1958, Chinese nationality with no right of abode overseas, Mr. Wang is currently a Vice President of the Company. Mr. Wang once served as assistant engineer in Zhangjiakou Gold Mine (張家口金礦) in Hebei Province, engineer in the Mining Office of the Beijing General Research Institute of Mining & Metallurgy, deputy director of the Mining Department of the Copper and Nickel Office of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), deputy director of the Enterprise Management Department, manager of the Gansu Branch, director of the Information Center, director-level commissioner in the Copper Center of China National Nonferrous Metals Import and Export Corporation (中國有色金屬進出口總公司), and deputy general manager of the Raw Materials Center of Non-Ferrous Metal Industrial and Trade Group Corporation of China (中國有色金屬工業貿易集團公司). He was a deputy general manager of China Shougang International Trade & Engineering Corporation from February 1999 to December 2003, during which he served as general manager of Shougang Hierro Peru S.A.A and manager of the Ore Import Department of China Shougang International Trade & Engineering Corporation. He served as chief representative of HISMELT Project of Shougang Group in Australia from December 2003 to November 2004 and deputy general manager of MCC Group from November 2004 to September 2008. He has been serving as Vice President of the Company since November 2008. Mr. Wang graduated from Northeastern Institute of Technology with a bachelor's degree in mining and Beijing General Research Institute of Mining & Metallurgy with a master's degree in mining engineering. He is now a professor-level senior engineer.</p>
Zhang Mengxing	<p>Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently a Vice President of the Company. Mr. Zhang once served as deputy manager, acting manager, manager of the No. 2 Company (二公司) and deputy manager of Tianjin Company (天津公司) of China MCC 20th Construction Corporation. From February 1999 to October 2006, Mr. Zhang served as deputy general manager of China MCC 20th Construction Corporation and deputy manager and manager of Tianjin MCC 20 Group Co., Ltd. (天津二十冶). From October 2006 to October 2012, he served as director and general manager of China MCC 20th Construction Corporation (subsequently renamed as China MCC 20 Group Co., Ltd.). From October 2012 to September 2014, Mr. Zhang served as the chairman and secretary to the Party Committee of China MCC 20 Group Co., Ltd. From September 2014 to June 2015, he served as the Chief Economist of the Company and has served as the chairman of MCC International Incorporation Ltd. since September 2014. He has been serving as Vice President of the Company since May 2015. Mr. Zhang graduated from the Department of Architectural Engineering of Baotou Institute of Iron and Steel Technology (包頭鋼鐵學院建築工程系) and obtained a bachelor's degree in industrial and civil construction. Mr. Zhang is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Xiao Xuewen	<p>Born in June 1968, Chinese nationality with no right of abode overseas, Mr. Xiao is currently a Vice President and the secretary to the Board of the Company. Mr. Xiao once served as designer of Equipment Office, director of the Operation Department and assistant to the dean of Chongqing Iron and Steel Design and Research Institute (重慶鋼鐵設計研究院). From March 1998 to December 2002, he served as deputy dean and chief engineer of Chongqing Iron and Steel Design and Research Institute. From December 2002 to January 2009, he successively served as director, general manager, chairman and deputy secretary to the Party Committee of CISDI Engineering Co., Ltd., and successively served as deputy dean and dean of Chongqing Iron and Steel Design and Research Institute (in August 2008, Chongqing Iron and Steel Design and Research Institute was restructured as Chongqing Iron and Steel Designing Institute Co., Ltd., and Mr. Xiao was re-designated as an executive director and the general manager). From January 2009 to September 2010, Mr. Xiao served as the chairman and secretary to the Party Committee of CISDI Engineering Co., Ltd., and concurrently served as executive director, general manager and secretary to the Party Committee of Chongqing Iron and Steel Designing Institute Co., Ltd. He served as the chairman and secretary to the Party Committee of CISDI Group Corp. Ltd. from September 2010 to October 2015. He has been serving as Vice President of the Company since May 2015, secretary to the Board of the Company since July 2015 and chairman of CISDI Group Corp. Ltd. since October 2015. Mr. Xiao graduated from the Department of Mechanics of Tsinghua University and successively obtained a bachelor's degree and a master's degree in forging and pressing and metal plastic working, respectively. Mr. Xiao is a professor-level senior engineer.</p>
Zou Hongying	<p>Born in September 1964, Chinese nationality with no right of abode overseas, Ms. Zou currently serves as Vice President and the Chief Accountant of the Company, and meanwhile serves as the chairman, legal representative and general manager of MCC ABC Guangde Asset Management Company (中冶農銀廣德資產管理公司), and chairman and legal representative of MCC CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司). Ms. Zou once served as deputy chief and chief of the Finance Division, deputy chief accountant and chief accountant of the Finance Division, as well as deputy director of the Planning and Finance Department of 22nd China Metallurgical Construction Corporation. From October 2000 to November 2004, she successively served as deputy manager of the Planning and Finance Department under the Management Department, deputy director (in charge of work) of the Audit Department, as well as director of the Department of Finance and Asset Management of MCC Group. From November 2004 to January 2009, she served as deputy chief accountant of MCC Group. Ms. Zou served as deputy chief accountant of MCC from January 2009 to May 2015. Meanwhile, she has been serving as the chairman of MCC Finance Corporation Ltd. since March 2007. Since May 2015, she has been serving as Vice President and the Chief Accountant of the Company. Ms. Zou is a senior accountant and an MBA.</p>

- (II) **Share incentives granted to Directors, Supervisors and senior management during the Reporting Period**
- Applicable Not Applicable

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

II. EMPLOYMENT STATUS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Employment status at corporate shareholders

Name	Name of shareholder entities	Position in shareholder entities	Commencement date of term of office	End date of term of office
Guo Wenqing	China Metallurgical Group Corporation	Chairman (legal representative)	August 2014	—
		General manager	July 2012	April 2015
		Secretary of the Communist Party Committee	April 2015	—
Zhang Zhaoxiang	China Metallurgical Group Corporation	General manager	April 2015	—
		Deputy secretary of the Communist Party Committee	April 2015	—
Lin Jinzhen	China Metallurgical Group Corporation	Employee representative Director	November 2006	—
Shao Bo	China Metallurgical Group Corporation	Part-time Supervisor	March 2010	—
Xu Xiangchun	China Metallurgical Group Corporation	Deputy general manager	October 2004	—

(II) Employment status at other entities

Name	Name of other entities	Position in other entities	Commencement date of term of office	End date of term of office
Jing Tianliang	Baosteel Group Corporation (寶鋼集團有限公司)	External director	January 2009	—
	State Development & Investment Corporation (國家開發投資公司)	External director	May 2011	—
Yu Hailong	China State Construction Engineering Corporation (中國建築股份有限公司)	Independent director	June 2014	—
	Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司)	Independent director	December 2014	—
Ren Xudong	China Nonferrous Metal Industry Association (中國有色金屬工業協會)	Managing vice president and deputy secretary of the Communist Party Committee	January 2013	—
	Zhejiang Hailiang Co., Ltd. (浙江海亮股份有限公司)	Independent director	May 2014	—
	Shenzhen Zhongjin Lingnan Nonferrous Metal Company Limited (深圳市中金嶺南有色金屬股份有限公司)	Independent director	August 2014	—
	China Aerospace Science and Industry Corp. (中航科工集團公司)	External director	January 2015	—
Chan Ka Keung Peter	China Reform Holdings Corporation Limited (中國國新控股有限公司)	External director	January 2015	—
	CRRC Corporation Limited	Independent director	May 2015	—
Zou Hongying	MCC ABC Guangde Asset Management Company (中冶農銀廣德資產管理公司)	Chairman, legal representative and general manager	November 2013	—
	MCC CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司)	Chairman, and legal representative	May 2015	—

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Determination procedures for remuneration of Directors, Supervisors and Senior Management	Remuneration of Directors and Supervisors (not being employee representatives) were considered and approved at the general meetings. The Remuneration Committee of the Board makes remuneration recommendations for senior management which is subject to the Board's review and approval.
Basis for Determination of Remuneration of Directors, Supervisors and Senior Management	The remuneration of Independent Non-executive Directors of the Company for 2015 comprised of basic salary and conference allowances. The standards of the annual basic salary and conference allowances were determined with reference to the Remuneration Standards for External Directors of Pilot Enterprises as promulgated by the SASAC. The Company's executive Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their positions and performance at the Company. The Company's Supervisors receive remuneration in accordance with the Management Rules on Remuneration and Assessment (總部薪酬與考核管理辦法) and their positions. Senior management members of the Company are remunerated in accordance with relevant regulations of the SASAC.
Remuneration paid to Directors, Supervisors and senior management	RMB7.049 million
Total actual remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB7.049 million

The remuneration of Directors and Supervisors of the Company for the year of 2015:

Unit: RMB yuan

Name	Basic salary, housing allowances, other allowances and benefits-in-kind	Pension scheme contributions	Discretionary bonus	Total	Remarks
Directors					
Guo Wenqing	186,230.0	43,719.6	443,300.0	673,249.6	Existing
Zhang Zhaoxiang	181,430.0	43,719.6	394,100.0	619,249.6	Existing
Jing Tianliang	128,040.0	–	–	128,040.0	Existing
Yu Hailong	146,020.0	–	–	146,020.0	Existing
Ren Xudong	151,020.0	–	–	151,020.0	Existing
Chan Ka Keung Peter	145,020.0	–	–	145,020.0	Existing
Lin Jinzhen	432,670.0	43,719.6	323,560.0	799,949.6	Existing
Supervisors					
Li Shiyu	170,230.0	43,719.6	379,900.0	593,849.6	Existing
Peng Haiqing	328,630.0	43,719.6	197,600.0	569,949.6	Existing
Shao Bo	414,870.0	43,719.6	291,360.0	749,949.6	Existing
Xu Xiangchun	70,425.0	17,379.0	129,833.3	217,637.3	Resigned
Total	2,354,585.0	279,696.6	2,159,653.3	4,793,934.9	

During the Reporting Period, none of the Directors or Supervisors waived any remunerations and no remunerations were paid by the Company to any of the Directors or Supervisors as an inducement to join or upon joining the Company as compensation for loss of office.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

Name	Position	Change	Reason for the change
Li Shiyu	Chairman of the Supervisory Committee	Elected	Appointed as a Supervisor through election at the general meeting and appointed as the chairman of the Supervisory Committee through election at the meeting of the Supervisory Committee
	Vice President and Chief Accountant (chief financial officer)	Resigned	Job re-designation
Zhang Mengxing	Vice President	Appointed	Appointment by the Board
Xiao Xuewen	Vice President and Secretary to the Board	Appointed	Appointment by the Board
Zou Hongying	Vice President and Chief Accountant	Appointed	Appointment by the Board
Xu Xiangchun	Chairman of the Supervisory Committee	Resigned	Job re-designation
Huang Dan	Vice President	Resigned	Personal reason
Wang Xiufeng	Vice President	Resigned	Job re-designation
Kang Chengye	Secretary to the Board and Company Secretary	Resigned	Other work engagements

V. PENALTIES IMPOSED BY SECURITIES REGULATORY AUTHORITIES IN RECENT THREE YEARS

Applicable Not Applicable

VI. EMPLOYEES OF THE PARENT AND PRINCIPAL SUBSIDIARIES

(I) Employees

Number of existing staff of the Parent	208
Number of existing staff of principal subsidiaries	103,088
Total numbers of existing staff	103,296
Number of quitted or retired staff to whom the Parent and subsidiaries are liable for	131,327

Composition of Professionals

Categories of Professionals	Number of Professionals
Engineering contracting	92,545
Property development	794
Equipment manufacture	8,367
Resource development	1,094
Others	496
Total	103,296

Educational Level

Categories of Educational Level	Number (in persons)
Above Graduate Degree	8,647
Undergraduate Degree	40,205
Associate Degree	20,312
Below Associate Degree	34,132
Total	103,296

(II) Remuneration policies

The Company implements a remuneration system on the basis of market-orientation and performance appraisal. In accordance with applicable regulations, the Company established the basic pension contribution plan, basic medical insurance, unemployment insurance, maternity insurance, workers' injury compensation insurance and housing fund for employees. In accordance with applicable laws and regulations, the amount of contribution to the aforesaid social security and housing fund are strictly based on State, provincial and municipal requirements. As approved by relevant authorities, the Company also set up its enterprise annuity for employees according to applicable regulations.

(III) Training programs

According to the corporate development strategy and actual business needs, the Company utilized various channels and actively commenced trainings for operation and management personnel, professional and technical personnel and other categories of professions. The Company carried out trainings for senior management mainly through higher education training resources such as Party School of the Central Committee of C.P.C., China National Institute of Cadre (國家幹部學院), and Chinese Academy of Governance, conducted trainings for senior and mid-level management and reserve personnel of subsidiaries through internal training resources of the Company, colleges and universities and other training resources, and developed trainings for professional technical personnel by way of invitation and assignment, arranged front-line management such as monitors and headmen to participate in the position capability training in rotation. Each second-tier enterprise also fully utilized various training resources inside and outside of the Company and actively carried out management trainings, professional technology trainings, quality certification, continuing education and so forth for each category of personnel. In 2015, the number of operation and management personnel, professional and technical personnel, IT personnel and personnel with other skills and other personnel of all levels participating in trainings amounted to 117,418 in aggregate.

VII. MANAGEMENT CONTRACT

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

VIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the Reporting Period and as of the end of the Reporting Period, none of the Directors or Supervisors, unless disclosed in the relevant announcements, directly or indirectly had a material interest in any contract of significance to the Company which was entered into by the Company, its subsidiaries or subsidiaries of its holding company.

IX. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period and as of the latest Practical Date before publishing this report (being 29 March 2016), none of the Directors had any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

X. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

I. CORPORATE GOVERNANCE AND OVERALL GOVERNANCE OF THE COMPANY

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

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

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

II. SUMMARY OF THE GENERAL MEETINGS

Sessions of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions/voting results	Date of disclosure of the publication of the A Share resolutions
2015 first extraordinary general meeting	20 January 2015	www.sse.com.cn www.hkexnews.hk	21 January 2015
2014 annual general meeting	26 June 2015	www.sse.com.cn www.hkexnews.hk	27 June 2015
2015 second extraordinary general meeting	15 October 2015	www.sse.com.cn www.hkexnews.hk	16 October 2015
2015 first A shareholders' class meeting	15 October 2015	www.sse.com.cn www.hkexnews.hk	16 October 2015
2015 first H shareholders' class meeting	15 October 2015	www.sse.com.cn www.hkexnews.hk	16 October 2015

Note: Poll results announcements of the abovementioned general meetings have been published on the website of the Hong Kong Stock Exchange on each of the dates of such meetings, respectively.

During the Reporting Period, with a view to ensuring that all the Shareholders, especially the minority Shareholders, are treated equally and are able to effectively exercise their rights as Shareholders, the Company convened the each of the general meetings by way of on-site voting and internet voting in accordance with relevant regulatory requirements and requirements provided in the Articles of Association and the Rules of Procedures for General Meetings.

On 20 January 2015, the Company convened the 2015 first extraordinary meeting, and Mr. Zhang Zhaoxiang, Mr. Yu Hailong and Mr. Chan Ka Keung Peter, all being the Directors of the Company, attended the meeting. The meeting considered and approved the Resolution in Relation to the Application for Registration of RMB10 Billion Perpetual Medium-Term Notes by MCC.

On 26 June 2015, the Company convened the 2014 AGM. The Directors of the Company, including Mr. Zhang Zhaoxiang, Mr. Yu Hailong, Mr. Ren Xudong, Mr. Chan Ka Keung Peter, and Mr. Lin Jinzhen attended the meeting. 11 resolutions were considered and approved at the meeting, including 8 ordinary resolutions and 3 special resolutions. Such resolutions involved the work report of the Board, the work report of the Supervisory Committee, the final account for 2014, the proposed profit distribution plan for 2014, the remunerations for Directors and Supervisors for 2014, the guarantee plans for 2015, appointment of domestic and overseas auditors and auditors on internal control, the issue plan of bonds for 2015, election of Supervisors of the Company, and the amendments to the Articles of Association and the Rules of Procedures for Board Meetings. Meanwhile, the 2014 Performance Report by Independent Directors was received.

On 15 October 2015, the Company convened the 2015 second extraordinary general meeting, the 2015 first A shareholders' class meeting and the 2015 first H shareholders' class meeting, Mr. Zhang Zhaoxiang and Mr. Lin Jinzhen, both being the Directors of the Company, attended the meeting. 13 resolutions were considered and approved at the 2015 second extraordinary general meeting, including 6 ordinary resolutions and 7 special resolutions. Such resolutions include the general mandate for issue of new shares, the satisfaction of the conditions for the non-public issuance of A Shares of the Company, the plan on the non-public issuance of A Shares by the Company, the proposal of the non-public issuance of A Shares by the Company, the feasibility report on the use of proceeds to be raised from the non-public issuance of shares by the Company, the dilution of current returns and remedial measures upon non-public issuance of shares by the Company, amendments to the Articles of Association, the report on the use of proceeds from previous fund raising activities, proposal to the general meeting to authorize the Board to deal with matters relating to the non-public issuance of A Shares, the Shareholders' return plan for the upcoming three years (2015–2017) of the Company, the Self-Inspection Report on The Real Estate Business for the Purpose of The Non-Public Issuance of A Shares in 2015 of the Company, and the Letter of Undertaking Relating to Relevant Matters of Real Estate Business of Metallurgical Corporation of China Ltd. issued by Directors, Supervisors and Senior Management of the Company. The Non-Public Issuance of A Shares of the Company and the plan of Non-Public Issuance of A Shares of the Company were considered and approved in the 2015 first A shareholders' class meeting and 2015 first H shareholders' class meeting, respectively.

III. THE PERFORMANCE OF DUTIES OF THE BOARD AND THE DIRECTORS

(I) Composition of the Board

During the Reporting Period, the Board of the Company comprised of 7 Directors with Mr. Guo Wenqing as the Chairman. None of the 3 Independent Non-executive Directors of the Board held other positions apart from serving as Directors within the Company. In particular, Mr. Chan Ka Keung Peter has expertise in the fields of financial management and accounting, which was in compliance with the requirements of the Hong Kong Listing Rules. Meanwhile, pursuant to the confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules, the Company is of the view that each of the Independent Non-executive Directors remained independent. All the Independent Non-executive Directors are able to give objective and independent opinions on decisions, thus ensuring the independence and fairness of the decisions made by the Board.

All of the Directors have performed their duties with loyalty, honesty and diligence to serve the interests of the Company and all the Shareholders. In accordance with the Articles of Association, the term of office of each session of the Board is three years. The Directors, other than employee representative Directors, are elected or replaced at general meetings and serve a term of office from the date of passing the resolutions of general meetings to the expiry date of the term of office of the current session of the Board. The Directors may serve consecutive terms upon the expiry of their term of office if being re-elected. During the Reporting Period, the Company purchased liability insurance policies for all Directors.

Save for their services to the Company, there is no financial, business or family relationship among the Directors and between them and the chief executive officer, nor any other material relations among them.

During the Reporting Period, the Directors of the Company carefully studied the special documents with regard to the normalisation of board of directors and materials regarding the optimization of the supervisory system of state-owned assets issued by the SASAC of the State Council, actively participated in the trainings organized by relevant national authorities and securities regulatory institutions, such as special conferences and training courses for Directors in respect of risk management and monitoring of debts from the SASAC of the State Council, development of "One Belt, One Road" as well as interpretation and deepening of the guiding opinions on the reform of state-owned enterprises, follow-up training of independent Directors held by the Shanghai Stock Exchange, trainings on specific topics including issuance of corporate bonds and underwriting practice, overseas financing, investment and merger, relevant problems of the disclosure in financial reports of listing companies, lawful and regulatory system monitoring listed companies and information disclosure regulations, prevention and control of insider trading of listed companies organized by Beijing Securities Regulatory Bureau (北京市證監局) and the Listed Companies Association of Beijing (北京市上市公司協會). Through the abovementioned study and training, the performance of Directors was practically enhanced while the professional knowledge and skills required for the performance of duties were absorbed in a timely manner. The attendance of trainings by each Director are as follows:

Name of Directors	Number of attendance at trainings
Guo Wenqing	1
Zhang Zhaoxiang	1
Jing Tianliang	2
Yu Hailong	1
Ren Xudong	1
Chan Ka Keung Peter	2
Lin Jinzhen	2

(II) Attendance of Directors at Board Meetings and General Meetings

Name of Directors	Whether they are independent Directors	Number of attendance at Board meetings required for the year	Attendance of the Board Meetings				Attendance at general meetings	
			Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy	Number of absence	Whether they did not attend in person for two times consecutively	Number of general meetings attended ⁽¹⁾
Guo Wenqing	No	13	8	5	0	0	No	0
Zhang Zhaoxiang	No	13	8	5	0	0	No	3
Jing Tianliang	No	13	8	5	0	0	No	0
Yu Hailong	Yes	13	7	5	1	0	No	2
Ren Xudong	Yes	13	8	5	0	0	No	1
Chan Ka Keung Peter	Yes	13	8	5	0	0	No	2
Lin Jinzhen	No	13	8	5	0	0	No	2

Note 1: In this chart, the 2015 second extraordinary general meeting, the 2015 first A shareholders' class meeting and 2015 the first H shareholders' class meeting convened on 15 October 2015 were counted as one general meeting.

The numbers of Board meetings held during the Reporting Period are as follows:

Number of Board meetings held within the year	13
Including: number of on-site meetings	8
Number of meetings convened via communications	5

(III) Duties and Operation of the Board

The Board of the Company is elected at and accountable to Shareholders at general meetings. In accordance with the requirements of the Articles of Association, the Board is mainly responsible for convening general meetings, submission of work reports at general meetings, implementation of the resolutions of general meetings, deciding the Company's business and investment plans, deciding matters such as foreign investment, asset acquisition and disposal, asset mortgage, entrusted asset management and connected transactions within the authorization of general meetings, the formulation of the Company's annual financial budgets and final accounts, the formulation of the Company's profit distribution plans and plans for making up for losses, the formulation of proposals for increase or reduction in the Company's registered capital, the issuance of corporate bonds or other securities and the listing plans, the preparation for the Company's material acquisitions, purchases of the Company's shares, mergers, demergers, dissolutions or changes in the Company's form, as well as the formulation of the revision plan for the Articles of Association. In addition, pursuant to the requirements of the Corporate Governance Code, the Board undertakes corporate governance functions such as formulating corporate governance policy and practice, monitoring trainings for Directors and senior management and supervising the Company's compliance of laws and regulations as well as Corporate Governance Code.

During the Reporting Period, the Chairman and the President of the Company were Mr. Guo Wenqing and Mr. Zhang Zhaoxiang, respectively. The Chairman and the President performed their respective duties in accordance with the relevant requirements regarding division of duties set out in rules such as the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for President of the Company.

The Chairman is mainly responsible for presiding over general meetings and convening and presiding over Board meetings, checking and facilitating the implementation of the resolutions of the Board; nominating candidates for the Secretary to the Board, supervising and examining the performance of each special committee under the Board, organizing and formulating rules for different operations of the Board, coordinating the operation of the Board, receiving regular or random work reports submitted by the senior officers of the Company and advising on the implementation of the resolutions of the Board as well as other functions conferred by laws, administrative regulations, department regulations or the Articles of Association and duties authorized by the Board.

The President is accountable to the Board and is mainly responsible for taking charge of the Company's production, operation, management and reporting his work to the Board, the organization of the implementation of the resolutions of the Board, the organization of the implementation of the Company's annual business plans and investment plans, drafting plans for the establishment of the Company's internal management structure, drafting the Company's basic management system, the formulation of specific rules and regulations of the Company, the preparation of the merger, demerger or restructuring plans for subsidiaries of the Company under the requirements of the laws, administrative regulations, department rules or the Articles of Association, as well as other duties authorized by the Board.

During the Reporting Period, the Board was in line with "deciding strategies, managing teams, discussing material issues and controlling risks" when performing duties to seize development opportunities, develop precise strategic layout, carry forward renovation and innovation, and continue to strictly control risks to foster stable development of the Company.

Firstly, the Board strengthened strategic guidance, made forward-looking deployments, proposed to achieve the new strategic position as "the national team for metallurgical construction, major force of fundamental construction as well as the pioneer of the emerging industries in China", and decided the future development direction and implementation path.

Secondly, the Board promoted renovation and innovation including transformation, upgrading and innovative development, actively carried forward the innovation, regionalization and professional integration of the management model of the Company, and effectively improved the ability to create value through renovation which stimulated new vitality for the development of the Company.

Thirdly, the Board strictly controlled debt risks and was stringent in approving investment cases by actively adjusting operating methods to put emphasis on project management and monitoring. The Board also clarified responsibilities in the prevention and control of risks and laid a solid foundation for steady development of the Company.

Fourthly, the Board further strengthened the performance appraisal of the management. The Board continued to organize and carry out performance appraisals of the management based on the indicators of performance appraisal and the principle of performance-linked remuneration, and determined their remuneration according to the appraisal results.

(IV) Objections on Relevant Issues of the Company Raised by Independent Directors

During the Reporting Period, there were no objections on relevant issues of the Company raised by Independent Directors of the Company.

(V) Directors' Responsibilities on Relevant Financial Reports

Directors are accountable to financial reports. When preparing financial statements for the year ended 31 December 2015, Directors have chosen and applied appropriate accounting policies and made prudent and reasonable judgments and estimations to truly and fairly reflect the position, results and cash flow of the financial year. A statement made by the auditor of the Company on his reporting responsibilities is set out in the "Auditing Reporting" on page 115 of this annual report.

IV. SPECIAL COMMITTEES OF THE BOARD AND THEIR PERFORMANCE OF DUTIES

There are four special committees under the Board of the Company in total, namely the Strategy Committee, the Finance and Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Independent Non-executive Directors formed the majority of all the special committees (except the Strategy Committee) and served as chairman of the Finance and Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

During the Reporting Period, the Board gave more prominence to the supporting role and professional discussion and consultation function of the relevant special committees. Before special issues were submitted to the Board for consideration, such issues would be thoroughly investigated by the relevant special committees, where specific review opinions were raised and thus provided a basis of decision-making for the Board.

1. Strategy Committee

In accordance with the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Strategy Committee, the Strategy Committee is accountable to the Board and is mainly responsible for conducting research and submitting proposals regarding the Company's mid-to-long term development strategies and material investment decisions, and discharging other duties authorized by the Board.

During the Reporting Period, the Strategy Committee comprised 3 Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Jing Tianliang, Mr. Guo Wenqing served as the convener.

During the Reporting Period, the Strategy Committee convened 1 meeting in total, and all 3 committee members attended the meeting. The meeting considered the resolution in relation to adjustments to the optimization of managing departments and job positioning of the Company's head office.

2. Finance and Audit Committee

In accordance with the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Finance and Audit Committee, the Finance and Audit Committee of the Board is accountable to the Board and is mainly responsible for reviewing major financial control targets, supervising the implementation of financial regulatory system and guiding the finance functions of the Company, formulating guarantee management policies and reviewing guarantee business, reviewing annual financial budgets and final accounts and supervising the implementation thereof, reviewing the financial analysis of major investment projects, monitoring the execution outcome of investment projects, and arranging for the review of the subsequent evaluation of the major investing and financing projects. The Finance and Audit Committee is also accountable for reviewing the Company's proposals for profit distribution and recovery of losses and making recommendations in respect thereof, reviewing the construction plan, regulatory system, work flows and major control objectives for the comprehensive risk management and internal control system; reviewing the annual work plans and annual reports of comprehensive risk management and submitting the same to the Board; supervising the soundness, reasonableness and effectiveness of the execution of the risk management and internal control system, and instructing the comprehensive risk management and internal control of the Company; suggesting the engagement or replacement of external auditors for financial statements and internal control; auditing the financial information of the Company and its disclosure, independently auditing the financial report and providing opinions; being responsible for the control and management of connected transactions of the Company, examining the Company's feedback channels to ensure employees can raise objections to the improprieties in financial reporting, internal control and other areas, as well as other duties authorized by the Board.

During the Reporting Period, the Finance and Audit Committee comprised 3 Directors, namely Mr. Chan Ka Keung Peter, Mr. Jing Tianliang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter served as the convener.

During the Reporting Period, the Finance and Audit Committee convened 5 meetings in total, considered and discussed 29 issues, considered relevant resolutions including historical regular reports and final account, etc., discussed the election and appointment of auditing institutions by way of open tender, frequently communicated with external auditing institutions in respect of the audit and review of regular financial reports, completed the inspection of the Company's annual financial auditing, gave conclusion on commenting the performance of the external auditor, and provided recommendations on reappointment. The Committee performed duties on internal control and risk management through understanding the auditing progress of internal auditing institutions, working plans of internal control and risk management, reporting methods of examination reports on internal control and risk management and assessment reports on internal control, proposed clear requirements for the assistance on different stages including decision-making, management, operation of the Company by making good use of internal control and risk management works supervised management on connected transactions of the Company, reviewed the list of affiliated person(s)/connected person(s), audited issues including the utilization of raised proceeds, issue plans of bonds, guarantee plans, and profit distribution, and reviewed the feedback channels established by the Company. No reporting materials in relation to relevant financial reports and internal supervision was received during the Reporting Period.

The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Chan Ka Keung Peter	5	5
Jing Tianliang	5	5
Yu Hailong	5	4

3. Nomination Committee

Pursuant to the requirements of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Nomination Committee, the Nomination Committee of the Board is accountable to the Board and mainly responsible for studying and preparing the standards, procedures and methodology for the election of Directors, Presidents and other senior management of the Company and submitting the proposals to the Board, extensively identifying qualified candidates to fill the positions of Directors, Presidents and other senior management, assessing the candidates for Directors, Presidents and other senior management and advising to the Board in this respect. The Nomination Committee shall stipulate the Board diversity policy (including gender, age, culture and education background or professional experience) in accordance with strategy, business model and specific needs of the Company, and study and examine the structure, size and composition of the Board at least once per year, evaluate the independence of Independent Non-executive Directors, and discharge other duties authorized by the Board.

During the Reporting Period, the Nomination Committee of the Board of the Company comprised 3 Directors, namely Mr. Ren Xudong, Mr. Guo Wenqing and Mr. Yu Hailong. Mr. Ren Xudong served as the convenor.

During the Reporting Period, the Nomination Committee convened 2 meetings, and all 3 Directors attended the meeting and considered 2 issues for discussion, the candidates for Vice President, Chief Account and Secretary to the Board of MCC. It agreed to nominate the candidates of President, Vice President, Chief Accountant (Chief Financial Officer) and Secretary to the Board to the Board for appointing them.

4. Remuneration and Appraisal Committee

Pursuant to the requirement of the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for the Remuneration and Appraisal Committee, the Remuneration and Appraisal Committee is accountable to the Board and is mainly responsible for studying and reviewing the assessment criteria of Directors and senior management, organizing assessment initiatives and offering recommendations in respect thereof, studying and formulating the remuneration policies and plans of Directors and senior management, and discharging other duties authorized by the Board. Remuneration plans for Directors of the Company proposed by the Remuneration Committee shall be subject to the consent of the Board and submitted to general meetings for consideration and approval prior to implementation. Remuneration distribution plans for the senior management of the Company shall be subject to approval of the Board.

During the Reporting Period, the Remuneration Committee of the Board of the Company comprised 3 Directors, namely Mr. Yu Hailong, Mr. Jing Tianliang and Mr. Ren Xudong. Mr. Yu Hailong served as the convenor.

During the Reporting Period, the Remuneration and Appraisal Committee convened 3 meetings in total, and studied 4 issues for discussion. The Remuneration Committee studied relevant matters regarding remuneration of Directors and Supervisors of the Company and management performance appraisal plans and remuneration for the year 2014. The attendance of meetings by each committee member are as follows:

Name of Directors	Number of attendance required for the Directors	Number of meetings attended in person
Yu Hailong	3	2
Jing Tianliang	3	3
Ren Xudong	3	3

V. SUPERVISORY COMMITTEE AND ITS PERFORMANCE OF DUTIES

On 13 November 2014, the second session of the Company's Supervisory Committee was elected. It comprised 3 Supervisors, namely Mr. Xu Xiangchun, the Chairman of the Supervisory Committee, Mr. Peng Haiqing, the Supervisor, and Mr. Shao Bo, the employee representative Supervisor. On 12 May 2015, Mr. Xu Xiangchun tendered written resignation to the Supervisory Committee of the Company to resign from the positions of a Supervisor and the chairman of the Supervisory Committee of the Company. On 26 June 2015, Mr. Li Shiyu was elected as a Supervisor at the 2014 AGM, and Mr. Li Shiyu was elected as the chairman of the second session of the Supervisory Committee of the Company at the fourth meeting of the second session of the Supervisory Committee of the Company. During the Reporting Period, each of the Supervisors earnestly performed duties, attended all the Board meetings and carried out reporting of the Supervisory Committee to the general meetings in accordance with the requirements of the Articles of Association.

In the spirit of being accountable to all the Shareholders, all the Supervisors of the Company are mainly responsible for monitoring the Company's financial condition, internal control, connected transactions, use of proceeds and the performance of duties by Directors and senior management of the Company to ensure their compliance with relevant laws and regulations.

During the Reporting Period, the Company's Supervisory Committee convened 5 meetings of the Supervisory Committee, 2 special meetings, 23 considered proposals and received reports. The attendance of meetings by each Supervisor are as follows:

Name of Supervisors	Number of attendance required for the Supervisors	Number of meetings attended in person
Li Shiyu	5	5
Peng Haiqing	7	7
Shao Bo	7	7
Xu Xiangchun	2	2

During the Reporting Period, the Supervisory Committee reviewed the regular financial reports, final account and profit distribution plans of the Company, and supervised the internal control, the lists of related parties/connected persons, as well as the utilization of relevant raised proceeds, paid continuous attention to assets or businesses which may affect the operating results of the Company, and had no objections to the disposal measures and methods of the Board and management.

VI. MODEL CODE FOR SECURITIES DEALINGS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of List Issuers as the codes governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors themselves and their associates had complied with the required standard provisions and requirements provided by the above code during the Reporting Period.

VII. EXPLANATION ON THE INDEPENDENCE OF THE COMPANY AND CONTROLLING SHAREHOLDERS

The operating business which MCC engaged in is independent of MCC Group, the controlling shareholder of MCC, and other enterprises controlled by the MCC Group, while the rights to assets are clear. The arrangement in the aspects of personnel, institutions and finance are completely distinct from MCC Group, and there does not exist a mixed operation with MCC Group.

The corresponding measures, working process and follow-up working plans of the Company relating to competitions within the industry arising from reasons such as stock reform, industry's features, national policy, acquisition and merger.

1. Upon reorganization, MCC Group established MCC Group Asset Management Company ("Asset Company"). Asset Company is mainly responsible for centralized management and subsequent follow-up of deferred assets which were not incorporated into the Company in the reorganization of MCC Group. The business engaged by subsidiaries of Asset Company does not have substantial ability of competing with the principal business of the Company.
2. MCC Huludao Nonferrous Metals Group Co., Ltd. ("Huludao Nonferrous"), a subsidiary of MCC Group, mainly engages in business of metallurgy of zinc, lead and copper and their highly processed goods, with comprehensive recycle of cadmium, indium, gold and silver, and by-products of sulfate acid, copper sulfate and zinc sulfate. The Company's current business of resource sectors is centered on minerals mining and dressing. Therefore, the business of Huludao Nonferrous does not constitute competition within the industry with MCC.

During the Reporting Period, MCC Group signed the Letter of Agreement on Free Transfers of State-owned Equity, with the government of Huludao City, Liaoning Province and Huludao City State-owned Capital Investment Management Company Limited, and transferred its 24% of equities of Huludao Nonferrous to Huludao City State-owned Capital Investment Management Company Limited. The implementation of the issue shall be subject to meeting corresponding requirements and performing relevant procedures. Upon adjustment of equities, MCC Group shall not be controlling Huludao Nonferrous anymore.

VIII. AUDITING INSTITUTION AND ITS REMUNERATION

In 2014, given that PricewaterhouseCoopers Zhong Tian LLP (Special General Partnership) (the "PricewaterhouseCoopers Zhong Tian") and PricewaterhouseCoopers (the "PricewaterhouseCoopers") had provided audit services to the Company for certain years, the Company ceased to reappoint PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers in compliance with the relevant rotation requirements by the Ministry of Finance of the PRC and SASAC under the State Council. Upon approval at the 2013 AGM of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) (the "Deloitte Touche Tohmatsu") as its auditor for the year 2014 and the internal control auditor for the year 2014. Upon approval at the 2014 AGM, Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) was reappointed as the auditor of the Company for the year 2015, and was responsible for the annual audit and interim review of the financial statements of the Company. Meanwhile, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided part of the domestic subsidiaries with statutory financial audit services. The financial statements prepared in accordance with China Accounting Standards for Business Enterprises have been audited by Deloitte Touche Tohmatsu. A resolution for the appointment of the auditing institution and internal control auditing institution of the Company respectively for the year ending 31 December 2016 will be submitted to the 2015 AGM of the Company for consideration and approval after separate review.

The remuneration of auditors for the year 2015 is set out in the section headed "Appointment and Dismissal of Accounting Firm and Remuneration of Auditors" in "Significant Events" on page 73 of this report.

IX. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In 2015, the Company organized and completed the work of information disclosure in strict compliance with relevant requirements of regulatory authorities, such as the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. It made the relevant information disclosure in a truthful, accurate, complete, timely and fair manner. In the meantime, the Company further stepped up its efforts in communications with investors, analysts and financial media, in order to protect the legitimate rights and interest of the investors, especially the small and medium investors. In 2015, the Company was awarded the top ten “Best Company’s Returns on Investment” (最佳投資回報公司) from Fortune and the “Best Corporate Listed Company” (最佳公司治理上市公司) from China Securities Golden Bauhinia (中國證券金紫荊).

1. Following up the trend of management, strengthening training, and continuously improving compliance operation concept

During the Reporting Period, the Company organized systematic researches, studies and trainings on specific topics in line with the annual report standards newly revised by CSRC, guidelines on information disclosure of the construction industry provided by the Shanghai Stock Exchange and relevant regulations updated by the Hong Kong Stock Exchange, adjusted relevant works in combination with the actual situation of the Company in a timely manner, implemented regulatory requirements, ensured the information disclosure of the Company to be in compliance with laws and regulations, and further strengthened the concept of public responsibilities of listed companies.

2. Attaching importance to various communication methods with the market and investors

On the basis of continuously providing hospitality to visitors including investors, analysts and financial media and receiving calls from them, the Company further strengthened communications of specific topics in the market. The Company organized to convene conferences of annual and interim results in Beijing and Hong Kong, communicated with investors, analysts and the media in respect of the operation and financial conditions of the Company, organized reverse roadshows by integrating market trends and the Company’s operation, implemented on-site investigation and research on the project of municipal administration and underground integrated pipeline corridor in Hengqin, Zhuhai, the sample construction of the Ministry of Housing, which enabled investors to understand the techniques and competitiveness of the Company in the underground integrated pipeline corridor business. For significant events focusing on strategic restructuring of controlling Shareholders, the Company developed special communication and roadshow in a timely manner to explain relevant matters of restructuring and the future development position of the Company, convened seminars for the briefing of cash dividend distribution via the internet which enabled investors to have a comprehensive and deep understanding on the details of cash dividend distribution of the Company for the year 2014.

3. Being investors’ demand oriented, further exploring and promoting voluntary disclosure

During the Reporting Period, the Company insisted on the disclosure of briefing on the newly signed contracts of the Company on a monthly basis in the form of temporary announcements to provide investors with sufficient channels to understand the market expansion of the Company, which facilitated their prediction of the future development of the Company. Disclosing details of the construction and operation process of significant foreign resources projects in the annual report would facilitate investors to keep up with the operation of foreign resources projects of the Company regularly and provide references for investors’ decision-making. In addition, the disclosure of significant progress of the disclosed issues during the Reporting Period was attached great importance, which ensured certain continuity of information disclosure.

X. RIGHTS OF INVESTORS

To safeguard the statutory rights of shareholders, the Article 66 of the Articles of Association of the Company prescribes that the Shareholders holding more than 10% of the Company's shares either independently or collectively can request an extraordinary general meeting in writing. The Company set an exclusive session for communication with Shareholders in the general meeting, during which Shareholders can raise their concerns and suggestions. Shareholders can also lodge their enquiries and suggestions through investor relations hotline (+86-10-5986-8666), fax (+86-10-5986-8999) and email (ir@mccchina.com).

XI. COMPANY SECRETARY

On 6 July 2015, the Board of the Company received written resignation tendered by Mr. Kang Chengye, the secretary to the Board and company secretary. Due to Mr. Kang Chengye resigned from the positions as secretary to the Board and company secretary and would no longer be an authorized representative as required under Hong Kong Listing Rules upon his resignation of company secretary of the Company due to other work engagement. In view of the importance of the standard operation and information disclosure of the Company and in order to ensure the smooth handover of relevant works, the Board has accepted the resignation of Mr. Kang Chengye and agreed to appoint Mr. Xiao Xuewen as the secretary to the Board and Ms. Lin Xiaohui as the company secretary and the Authorised Representative.

The profile of Ms. Lin Xiaohui is set as below:

Ms. Lin Xiaohui, born in August 1978, is of Chinese nationality with no right of abode overseas, Ms. Lin is currently a deputy head of the Office of Board of the Company (Office of the Supervisory Committee). Ms. Lin successively served as consultant and project manager of Beijing Chengwei Management Advisory Co., Ltd. (北京成偉管理顧問有限公司). She joined China Metallurgical Group Corporation (中國冶金科工集團有限公司) in October 2005 and was seconded to the Office of Pilot Project of the Board under the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督與管理委員會董事會試點工作辦公室) from February 2006 to November 2006. From December 2006 to September 2012, she successively served as deputy head of the Policy Research Division of the Board Secretary Office of China Metallurgical Group Corporation, deputy head of the Policy Research Division of the Office of Board, and deputy head and head of the Information Disclosure Division of the Company. From September 2012 to June 2015, she served as the deputy head of the Office of Board and the head of Securities Affairs of the Company. Since June 2015, she has been serving as the deputy head of the Office of Board (Office of the Supervisory Committee). Since July 2015, she has been serving as the company secretary of the Company. Ms. Lin graduated from Tsinghua University School of Economics and Management with a bachelor's degree in accounting and a master's degree in corporate management respectively. She obtained the qualification as an economist and an accountant of the Chartered Professional Accountants of Canada.

For the purpose of compliance with the Rule 3.29 of the Hong Kong Listing Rules, Ms. Lin Xiaohui, attended relevant professional training for not less than 15 hours for the year ended 31 December 2015.

XII. APPRAISAL MECHANISM FOR SENIOR MANAGEMENT AND ESTABLISHMENT AND IMPLEMENTATION OF INCENTIVE MECHANISM DURING THE REPORTING PERIOD

The appraisal of senior management of the Company is mainly carried out by taking into account the Company's operating results, personal capabilities, work performance and service attitude. The appraisal of work performance of senior management completed by the Board is based on corporate final account reports and statistics together with the completion of operating results appraisal targets of the President and the work report of vice President and Chief Accountant. Meanwhile, the remunerations of senior management are determined pursuant to the appraisal.

XIII. SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

Pursuant to the recognition of significant defect of internal control in the financial report of the Company, as at the base date of internal control assessment, there is no significant defect of internal control in the financial report. The Board is of the view that the Company has maintained efficient internal control of the financial report in all significant aspects in accordance with the regulatory system of corporate internal control and requirements of relevant regulations. Pursuant to the recognition of significant defect of internal control in the non-financial report of the Company, as at the base date of internal control assessment, the Company does not discover any significant defect of internal control in the financial report. No factors affecting the conclusion of internal control effect assessment occurred from the base date to the issue date of internal control assessment.

For details of the self-assessment of internal control of the Company, please refer to the self-assessment report of internal control disclosed separately.

XIV. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) issued the internal control audit report and is of the opinion that as at 31 December 2015, the Company had maintained an effective internal control over its financial report in all material aspects with reference to the Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and relevant requirements. The Company has disclosed the auditing report of internal control.

I AUDITOR'S REPORT

De Shi Bao (Shen) Zi (16) No. P0057

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

We have audited the accompanying financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprise the Company's and consolidated balance sheets as at 31 December 2015, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flow statements for the year then ended, and notes to the financial statements.

(I) Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

(II) Auditor's responsibility

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. China Standards on Auditing require that we comply with the Code of Ethics for Chinese Institute of Certified Public Accountants and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, Certified Public Accountants consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

(III) Opinion

In our opinion, the financial statements of China GAAP Company present fairly, in all material respects, the Company's and consolidated financial position as of 31 December 2015, and the Company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants
Ma Yan Mei
Chen Wen Long
29 March 2016

This auditor's report of the financial statements and the accompanying financial statements are English translations of the auditor's report and the financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

FINANCIAL STATEMENTS

2015.12.31

II FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII1	33,730,706	33,409,480
Financial assets at fair value through profit or loss	VII2	1,410,011	555
Derivative financial assets	VII3	–	18,532
Bills receivable	VII4	11,360,670	9,977,574
Accounts receivable	VII5	63,663,109	55,799,282
Prepayments	VII6	13,698,473	16,510,723
Interest receivable	VII7	11,644	11,505
Dividends receivable	VII8	38,045	119,234
Other receivables	VII9	29,056,798	19,768,319
Inventories	VII10	115,305,237	106,415,992
Non-current assets due within one year	VII11	7,054,781	4,867,780
Other current assets	VII12	229,319	187,588
Total Current Assets		275,558,793	247,086,564
Non-current Assets:			
Available-for-sale financial assets	VII13	1,680,152	1,643,092
Held-to-maturity investments	VII14	20	20
Long-term receivables	VII15	7,882,521	17,383,285
Long-term equity investments	VII16	3,915,025	3,939,211
Investment properties	VII17	2,170,276	1,864,386
Fixed assets	VII18	30,154,218	32,874,747
Construction in progress	VII19	3,578,915	2,280,214
Materials for construction of fixed assets	VII20	73,695	47,617
Intangible assets	VII21	14,527,346	14,967,560
Goodwill	VII22	173,733	270,448
Long-term prepayments	VII23	204,705	167,767
Deferred tax assets	VII24	3,733,420	3,316,126
Other non-current assets	VII25	110,000	137,442
Total Non-current Assets		68,204,026	78,891,915
TOTAL ASSETS		343,762,819	325,978,479

FINANCIAL STATEMENTS

2015.12.31

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	VII26	36,798,152	36,461,263
Derivative financial liabilities	VII27	14,339	–
Bills payable	VII28	15,641,626	11,808,491
Accounts payable	VII29	93,413,988	77,722,163
Receipts in advance	VII30	30,139,959	33,978,850
Employee benefits payable	VII31	2,061,162	1,987,771
Taxes payable	VII32	6,057,841	6,399,466
Interest payable	VII33	752,120	970,589
Dividends payable	VII34	791,058	504,931
Other payables	VII35	16,294,450	15,888,498
Non-current liabilities due within one year	VII36	13,396,832	11,875,968
Other current liabilities	VII37	20,113,097	19,966,195
Total Current Liabilities		235,474,624	217,564,185
Non-current Liabilities:			
Long-term borrowings	VII38	19,259,931	21,329,884
Bonds payable	VII39	10,972,486	21,945,923
Including: Preference share		–	–
Perpetual bond		–	–
Long-term payables	VII40	892,237	864,818
Long-term employee benefits payable	VII41	3,982,614	3,944,693
Special payables	VII42	14,981	22,501
Provisions	VII43	232,644	208,154
Deferred income	VII44	1,452,973	1,552,840
Deferred tax liabilities	VII24	325,305	481,873
Other non-current liabilities		–	39,100
Total Non-current Liabilities		37,133,171	50,389,786
TOTAL LIABILITIES		272,607,795	267,953,971

FINANCIAL STATEMENTS

2015.12.31

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Shareholders' Equity:			
Share capital	VII45	19,110,000	19,110,000
Other equity instruments	VII46	9,884,950	—
Including: Preference share		—	—
Perpetual bond		9,884,950	—
Capital reserve	VII47	17,876,690	17,826,218
Less: Treasury shares		—	—
Other comprehensive income	VII48	192,320	583,421
Special reserve	VII49	12,550	12,550
Surplus reserve	VII50	698,872	529,549
Retained profits	VII51	12,782,248	9,275,519
Total shareholders' equity attributable to equity holders of the Company		60,557,630	47,337,257
Non-controlling interests		10,597,394	10,687,251
TOTAL SHAREHOLDERS' EQUITY		71,155,024	58,024,508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		343,762,819	325,978,479

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

2015.12.31

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	XVI1	2,727,674	7,025,950
Accounts receivable	XVI2	492,885	389,062
Prepayments		78,773	105,106
Interest receivable	XVI3	1,554,415	955,561
Dividends receivable	XVI4	2,166,640	1,264,817
Other receivables	XVI5	28,629,967	26,396,763
Inventories		694,789	889,870
Non-current assets due within one year		2,806,017	6,780,040
Other current assets		—	283
Total Current Assets		39,151,160	43,807,452
Non-current Assets:			
Available-for-sale financial assets		231	231
Long-term receivables	XVI6	2,592,461	4,573,576
Long-term equity investments	XVI7	75,189,175	72,549,338
Investment properties		—	118,773
Fixed assets		15,501	55,263
Intangible assets		10,961	13,601
Total Non-current Assets		77,808,329	77,310,782
TOTAL ASSETS		116,959,489	121,118,234
Current Liabilities:			
Short-term borrowings	XVI8	11,120,689	8,378,860
Accounts payable		864,274	1,074,091
Receipts in advance		492,914	303,192
Employee benefits payable		8,108	8,251
Taxes payable		61,734	48,154
Interest payable		617,614	742,538
Dividend payable		170,010	—
Other payables	XVI9	8,062,853	10,697,648
Non-current liabilities due within one year	XVI10	5,178,915	7,124,503
Other current liabilities		20,000,000	19,900,000
Total Current Liabilities		46,577,111	48,277,237

FINANCIAL STATEMENTS

2015.12.31

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Non-current Liabilities:			
Long-term borrowings	XVI11	2,771,441	5,403,934
Bonds payable		2,704,000	12,904,839
Including: Preference share		—	—
Perpetual bond		—	—
Long-term payables		300,000	378,980
Long-term employee benefits payable		22,861	19,772
Deferred income		4,265	957
Total Non-current Liabilities		5,802,567	18,708,482
TOTAL LIABILITIES		52,379,678	66,985,719
Shareholders' Equity:			
Share capital		19,110,000	19,110,000
Other equity instruments		9,884,950	—
Including: Preference share		—	—
Perpetual bond		9,884,950	—
Capital reserve		33,481,220	33,481,220
Less: Treasury shares		—	—
Other comprehensive income		(2,105)	3,267
Special reserve		12,550	12,550
Surplus reserve		698,872	529,549
Retained profits		1,394,324	995,929
TOTAL SHAREHOLDERS' EQUITY		64,579,811	54,132,515
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		116,959,489	121,118,234

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Total operating revenue		217,323,972	215,785,772
Including: Operating revenue	VII52	217,323,972	215,785,772
II Total operating costs		213,089,921	211,526,719
Including: Operating costs	VII52	188,817,361	187,884,556
Business taxes and levies	VII53	5,597,162	5,712,644
Selling expenses	VII54	1,512,225	1,500,231
Administrative expenses	VII55	10,067,076	9,108,267
Financial expenses	VII56	2,526,563	4,022,637
Impairment losses of assets	VII57	4,569,534	3,298,384
Add: Gains from changes in fair values(losses)	VII58	(30,445)	(22,473)
Investment income	VII59	1,735,160	1,053,667
Including: Losses from investments in associates and joint ventures		(153,731)	(96,238)
III Operating profit		5,938,766	5,290,247
Add: Non-operating income	VII60	1,375,811	1,699,134
Including: Gains from disposal of non-current assets		226,649	123,154
Less: Non-operating expenses	VII61	171,441	284,076
Including: Losses from disposal of non-current assets		46,861	36,318
IV Total profit		7,143,136	6,705,305
Less: Income tax expenses	VII62	2,194,392	2,363,950
V Net profit		4,948,744	4,341,355
Net profit attributable to shareholders of the Company		4,801,562	3,964,938
Profit or loss attributable to non-controlling interests		147,182	376,417

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
VI Other comprehensive income, net of income tax	VII63	(366,993)	108,064
Other comprehensive income attributable to shareholders of the Company, net of income tax		(391,101)	117,624
(I) Items that will not be reclassified subsequently to profit or loss		(398,024)	(136,289)
1. Re-measurement of defined benefit obligations		(398,024)	(136,289)
(II) Items that may be reclassified subsequently to profit or loss		6,923	253,913
1. Net (loss) gain on revaluation of available-for-sale financial assets		22,935	133,790
2. Exchange differences on translating foreign operations		(16,012)	120,123
Other comprehensive income attributable to non-controlling interests, net of income tax		24,108	(9,560)
VII Total comprehensive income		4,581,751	4,449,419
Total comprehensive income attributable to shareholders of the Company		4,410,461	4,082,562
Total comprehensive income attributable to non-controlling interests		171,290	366,857
VIII Earnings per share	XV3		
(I) Basic earnings per share (Yuan/share)		0.24	0.21
(II) Diluted earnings per share (Yuan/share)		N/A	N/A

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Operating revenue	XVI12	2,071,639	1,455,431
Less: Operating costs	XVI12	1,875,103	1,452,440
Business taxes and levies		3,788	5,650
Selling expenses		–	60
Administrative expenses		194,611	208,280
Financial expenses		255,444	822,439
Impairment losses of assets	XVI13	318,703	29,759
Add: Investment income	XVI14	2,227,422	2,143,251
Including: Income(losses) from investments in associates and joint ventures		471	(40)
II Operating profit		1,651,412	1,080,054
Add: Non-operating income		42,023	264
Including: Gains from disposal of non-current assets		41,976	–
Less: Non-operating expenses		59	40
Including: Losses from disposal of non-current assets		59	33
III Total profit		1,693,376	1,080,278
Less: Income tax expenses		144	(8,625)
IV Net profit		1,693,232	1,088,903
V Other comprehensive income, net of income tax		(5,376)	3,426
(I) Items that will not be reclassified subsequently to profit or loss		(5,376)	3,430
1. Re-measurement of defined benefit obligations		(5,376)	3,430
(II) Items that may be reclassified subsequently to profit or loss		–	(4)
1. Exchange differences on translating foreign operations		–	(4)
VI Total comprehensive income		1,687,856	1,092,329

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		223,204,911	221,018,784
Receipts of tax refunds		687,613	327,987
Other cash receipts relating to operating activities	VII64(1)	2,096,407	5,040,257
Sub-total of cash inflows from operating activities		225,988,931	226,387,028
Cash payments for goods purchased and services received		173,279,959	169,818,155
Cash payments to and on behalf of employees		17,662,165	17,271,989
Payments of various types of taxes		11,531,185	11,247,436
Other cash payments relating to operating activities	VII64(2)	8,158,240	13,080,421
Sub-total of cash outflows from operating activities		210,631,549	211,418,001
Net Cash Flows from Operating Activities	VII65(1)	15,357,382	14,969,027
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		210,982	60,086
Cash receipts from investment income		243,575	86,932
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		374,609	351,934
Net cash receipts from disposal of subsidiaries and other business units	VII65(3)	3,500	8,851
Other cash receipts relating to investing activities	VII64(3)	208,179	344,977
Sub-total of cash inflows from investing activities		1,040,845	852,780
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,356,884	2,760,049
Cash payments to acquire investments		1,897,983	170,951
Cash payments to acquire subsidiaries and other business units	VII65(2)	3,136	–
Other cash payments relating to investing activities	VII64(4)	1,385,438	1,126,752
Sub-total of cash outflows from investing activities		6,643,441	4,057,752
Net Cash Flows from Investing Activities		(5,602,596)	(3,204,972)

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		10,125,778	148,244
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		240,828	148,244
Cash receipts from issue perpetual bonds		9,884,950	–
Cash receipts from borrowings		100,757,817	109,039,297
Sub-total of cash inflows from financing activities		110,883,595	109,187,541
Cash repayments of borrowings		112,334,593	113,546,803
Cash payments for distribution of dividends or profits or settlement of interest expenses		7,995,575	9,330,061
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		94,250	603,506
Other cash payments relating to financing activities	VII64(5)	272,809	742,251
Sub-total of cash outflows from financing activities		120,602,977	123,619,115
Net Cash Flows from Financing Activities		(9,719,382)	(14,431,574)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		129,797	(3,858)
V Net Increase(decrease) in Cash and Cash Equivalents		165,201	(2,671,377)
Add: Opening balance of Cash and Cash equivalents		28,571,177	31,242,554
VI Closing Balance of Cash and Cash Equivalents	VII65(4)	28,736,378	28,571,177

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
I Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		2,126,135	1,689,115
Receipts of tax refunds		44,071	241
Other cash receipts relating to operating activities		180,441	284,029
Sub-total of cash inflows from operating activities		2,350,647	1,973,385
Cash payments for goods purchased and services received		1,957,142	1,618,759
Cash payments to and on behalf of employees		113,763	100,757
Payments of various types of taxes		60,736	60,598
Other cash payments relating to operating activities		87,344	116,392
Sub-total of cash outflows from operating activities		2,218,985	1,896,506
Net Cash Flows from Operating Activities	XVI15(1)	131,662	76,879
II Cash Flows from Investing Activities:			
Cash receipts from investment income		1,964,991	8,101,127
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		23	8
Other cash receipts relating to investing activities		3,460,910	–
Sub-total of cash inflows from investing activities		5,425,924	8,101,135
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		956	4,563
Cash payments to acquire investments		1,372,000	4,355,176
Other cash payments relating to investing activities		–	784,067
Sub-total of cash outflows from investing activities		1,372,956	5,143,806
Net Cash Flows from Investing Activities		4,052,968	2,957,329

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
III Cash Flows from Financing Activities:			
Cash receipts from investments		9,884,950	–
Including: Cash receipts from perpetual bond		9,884,950	–
Cash receipts from borrowings		60,343,330	57,492,591
Other cash receipts relating to financing activities		–	19,700
		<u>70,228,280</u>	<u>57,512,291</u>
Sub-total of cash inflows from financing activities		<u>70,228,280</u>	<u>57,512,291</u>
Cash repayments of borrowings		74,962,999	55,836,570
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,724,813	4,066,226
Other cash payments relating to financing activities		37,151	113,429
		<u>78,724,963</u>	<u>60,016,225</u>
Sub-total of cash outflows from financing activities		<u>78,724,963</u>	<u>60,016,225</u>
Net Cash Flows from Financing Activities		<u>(8,496,683)</u>	<u>(2,503,934)</u>
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		13,250	1,072
V Net Increase(decrease) in Cash and Cash Equivalents		(4,298,803)	531,346
Add: Opening balance of Cash and Cash equivalents		7,025,950	6,494,604
VI Closing Balance of Cash and Cash Equivalents	XVI15(2)	<u><u>2,727,147</u></u>	<u><u>7,025,950</u></u>

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2014											Total shareholders' equity
	Attributable to shareholders of the Company										Non-controlling interests	
	Share capital	Preference share	Other equity instruments		Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits		
			Perpetual bond	Others								
I Closing balance of the preceding year	19,110,000	-	-	-	17,947,113	-	465,797	12,550	420,659	6,585,181	10,523,919	55,065,219
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II Opening balance of the current year	19,110,000	-	-	-	17,947,113	-	465,797	12,550	420,659	6,585,181	10,523,919	55,065,219
III Changes for the year	-	-	-	-	(120,895)	-	117,624	-	108,890	2,690,338	163,332	2,959,289
(i) Total comprehensive income	-	-	-	-	-	-	117,624	-	-	3,964,938	366,857	4,449,419
(ii) Shareholders' contributions and reduction in capital	-	-	-	-	(120,895)	-	-	-	-	-	146,755	25,860
1. Capital contribution from owners	-	-	-	-	-	-	-	-	-	-	171,640	171,640
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	(120,895)	-	-	-	-	-	(24,885)	(145,780)
(iii) Profit distribution	-	-	-	-	-	-	-	-	108,890	(1,274,600)	(350,280)	(1,515,990)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	108,890	(108,890)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(1,165,710)	(350,280)	(1,515,990)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(v) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	2,183,105	-	-	204,774	2,387,879
2. Amount utilized in the current year	-	-	-	-	-	-	-	(2,183,105)	-	-	(204,774)	(2,387,879)
(vi) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current year	19,110,000	-	-	-	17,826,218	-	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2015

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

The accompanying notes form an integral part of these financial statements.

Legal Representative:
Guo Wenqing

Chief Financial Controller:
Zou Hongying

Chief Accountant:
Fan Wanzhu

FINANCIAL STATEMENTS

III BASIC CORPORATE INFORMATION

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

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

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

The Group provide services and products as follows: provision of engineering, 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 2016.

2. Scope of consolidated financial statements

Details of the scope of consolidated financial statements are set out in Note IX “Interest in other entities”, whereas the changes of the scope of consolidation are set out in Note VIII “Changes of the scope of consolidation”.

IV BASIS OF PREPARATION

1. Basis of preparation

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

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

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

2. Accrual basis and measurement principle

The Group has adopted the accrual basis of accounting. Except for certain financial instruments set out in Note XI1 which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

In the historical cost measurement, assets obtained shall be measured at the amount of cash or cash equivalents or fair value of the purchase amount paid. Liabilities shall be measured at the actual amount of cash or assets received or the contracted amount assume the current obligation, or measured at the prospective amount of cash or cash equivalents paid to discharge the liabilities according to business activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing market participants in an arm’s length transaction at the measurement date. Fair value measured and disclosed in the financial statements are determined on this basis whether it is observable or estimated by valuation techniques.

The following table provides an analysis, grouped into Levels 1 to 3 based on the degree to which the fair value input is observable and significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 31 December 2015 and does not identify any significant doubtful matter or event on the going concern. As such, these financial statements have been prepared on a going concern basis.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

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

2. Accounting period

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

3. Business cycle

Business cycle refers to the period that starts from the purchase of assets for production and ends with the realization of cash or cash equivalent. The business cycle of infrastructure and property development business of the Group is normally over one year because the duration of construction and infrastructure warranty is relatively long. The business cycles of other businesses are 12 months in general.

4. Reporting currency

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

5. Business combinations

(1) *Business combinations involving enterprises under common control*

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Direct issue costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respect equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

(2) *Business combinations not involving enterprises under common control*

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The costs of business combination are the fair value of the assets paid, liabilities happened or bore and equity instruments issued by the acquirer for the purpose of achieving the control rights of the acquiree. If the business combination is achieved in stages, the cost of business combination is the sum of total consideration paid at the acquisition date and the re-measured fair value of acquirer's previously held equity interests in the acquiree at the acquisition date. The acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss. Other comprehensive income associated with equity interest in the acquiree already held by the acquirer before the acquisition date is reclassified to investment income at the date on which acquisition is made.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Business combinations (Continued)

(2) Business combinations not involving enterprises under common control (Continued)

The intermediary costs such as audit, legal services and assessment consulting costs and other related management costs that are directly attributable to the combination by the acquirer are charged to profit or loss in the period in which they are incurred. Direct issue costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respect equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current year.

The goodwill raised because of the business combination should be separately disclosed in the combination financial statement and measured by the amount of costs deducted by the accumulative provision for impairment.

6. Basis for preparation of consolidated financial statements

The scope of consolidation in consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in consolidated income statement and consolidated statement of cash flows.

For a subsidiary acquired through a business combination involving enterprises under common control, it will be fully consolidated into consolidated financial statements from the date on which the subsidiary was ultimately under common control by the same party or parties.

The significant accounting policies and accounting years adopted by the subsidiaries are determined based on the uniform accounting policies and accounting years set out by the Company. For those subsidiaries acquired through business combinations not involving enterprises under common control, the identifiable assets and liabilities recorded in the financial statements of the acquired subsidiaries should be adjusted based on the fair value determined at the acquisition date.

All significant intra-group balances, transactions and unrealized profits are eliminated on consolidation. The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the shareholders' equity in consolidated balance sheet. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in consolidated income statement below the "net profit" line item.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

6. Basis for preparation of consolidated financial statements (Continued)

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of equity interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Investments in associates and joint ventures

Joint arrangement involves by two or more parties jointly control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

The Group makes the classification of the joint arrangements according to the rights enjoyed and obligations bore in the joint arrangements. There are only two types of joint arrangements – joint operations and joint ventures.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures are accounted for using the equity method.

Joint management refers to the joint arrangement that the joint ventures enjoy the relevant arrangements assets and bear the relevant arrangements liabilities. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognized in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the provision applicable to the particular assets, liabilities, revenues and expenses.

8. Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

9. Translation of transactions and financial statements denominated in foreign currencies

(1) Transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated into RMB using the spot exchange rate prevailing at the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (ii) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts of available-for-sale monetary items are recognized as other comprehensive income.

When preparing financial statements involving foreign operations, if there is any foreign currency monetary items which in substance forms part of the net investment in the foreign operations, exchange differences arising from the changes of foreign currency should be recorded as other comprehensive income, and will be reclassified to profit or loss upon disposal of the foreign operations.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

(2) Translation of financial statements denominated in foreign currency

For the purpose of preparing consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recorded as other comprehensive income.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of foreign exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of prior year are presented at the translated amounts in the prior year's financial statements.

On disposal of the Group's entire equity interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain equity interest in it or other reasons, the Group transfers the accumulated exchange fluctuation reserve, which is attributable to the owners' equity of the Company and presented under other comprehensive income to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange fluctuation reserve is re-attributed to non-controlling interests and is not recognized in profit and loss. For partial disposals of equity interest in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange fluctuation reserve is reclassified to profit or loss.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments

(1) Financial assets

(a) Classification of the financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification of the financial assets is depending on the Group's intention and ability of holding these financial assets.

– Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss. The Group's financial assets at FVTPL are all financial assets held for trading.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) It has been acquired principally for the purpose of selling in the near term; or (ii) on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

– Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank balances, bills receivable, accounts receivable, interest receivable, dividends receivable, other receivables, non-current assets due within one year and long-term receivables.

– Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available-for-sale, and financial assets that are not classified as financial assets at FVTPL, loans and receivables, held-to-maturity investment. Available-for-sale financial assets expected to be disposed within 12 months from the balance sheet date are presented as other current assets in the balance sheet.

– Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Those held-to-maturity investments which are matured for more than 12 months when acquired but are matured not more than 12 months are presented as non-current assets due within one year in the balance sheet. Those held-to-maturity investments which are matured not more than 12 months when acquired are presented as other current assets in the balance sheet.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(b) Recognition and measurement of the financial assets

Financial assets are recognized at fair value at balance sheet when the Group becomes one of contracting parties of the financial assets. Financial assets at FVTPL are initially recognized at fair value, and transaction costs are expensed into profits or losses of the current year. Other financial assets are initially recognized at fair value plus transaction costs.

Available-for-sale financial assets and financial assets at FVTPL are subsequently carried at fair value. For available-for-sale financial assets that do not have quoted price in an active market and whose fair value cannot be reliably measured, they are measured at historical cost. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value, any dividend or interest income earned and any gains and losses generating by disposal on the financial assets at FVTPL are recognized in profit or loss.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognized as other comprehensive income, except that impairment losses and exchange differences related to the financial assets denominated in foreign currencies are recognized in profit or loss, until the financial assets are derecognized, at which time the gains or losses are released and recognized in profit or loss. Interests obtained on holding the available-for-sale debt instruments and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognized in investment gains in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

(c) Impairment of financial assets

Except for the financial assets at FVTPL, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired. The objective evidence that financial assets are impaired is referred to the matters that happen subsequent to the initial recognition of the financial assets and have impact on the expected future cash flows of the financial assets which is able to measure reliably of the impact.

Objective evidence of impairment on financial assets includes those observable matters listed as follows:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(c) Impairment of financial assets (Continued)

- The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the Group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group. Such observable data includes:
 - (i) Adverse changes in the payment status of borrower in the Group of assets;
 - (ii) Economic conditions in the country or region of the borrower which may lead to a failure to pay the Group of assets;
- Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost (i.e. at the balance sheet date, the fair value of an investment in an equity instrument is not more than 50% of the initial acquisition cost of that investment or the fair value is lower than the initial acquisition cost for more than 12 months);
- Other objective evidence indicating there is an impairment of a financial asset.

If financial assets carried at amortized cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognized as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortized cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(c) Impairment of financial assets (Continued)

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognized in other comprehensive income is released to profit or loss. The amount of the cumulative loss that is released to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognized, the previously recognized impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognized as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognized in profit or loss.

(d) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it does not retain control of the financial asset, it should derecognize the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

(2) Financial liabilities

(a) Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument. On initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss ("FVTPL") and other financial liabilities.

– Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and those designated as at fair value through profit or loss. The Group's financial liabilities at FVTPL are all financial liabilities held for trading.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(2) Financial liabilities (Continued)

(a) Classification, recognition and measurement of financial liabilities (Continued)

– Financial liabilities at fair value through profit or loss (“FVTPL”) (Continued)

A financial liability is classified as held for trading if one of the following conditions is satisfied: (i) it has been incurred principally for the purpose of repurchasing in the near future; or (ii) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or (iii) it is a derivative that is not designated and effective hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

Financial liabilities at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expense paid on the financial liabilities are recognized in profit or loss.

– Other financial liabilities

The Group’s other financial liabilities include payables, borrowings, bonds payable and etc.

Payables including bills payable, accounts payable and other payables are recorded based on the fair value on initial recognition, and are amortized according to the effective interest rate method over the life of the payables along with the interest.

Borrowings and bonds payable are recorded based on the fair value after deduction of transaction costs on initial recognition, and are amortized according to the effective interest rate method over the life of the borrowings and bonds along with the interest.

Other financial liabilities due less than one year (including one year) are classified as current liabilities; other non-current financial liabilities due less than one year (including one year) are classified as non-current liabilities due within one year; the rest are classified as non-current liabilities.

(b) Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. When the Group derecognizes a financial liability or part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid in profit or loss.

(3) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset. Except for the circumstances where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables

(1) Receivables individually significant for which provision for impairment is assessed individually

Basis or monetary criteria for determining an individually significant receivable	A receivable with an amount greater than RMB100,000,000 is considered to be individually significant.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows.

(2) Receivables for which provision for impairment is assessed collectively in a group with similar credit risk characteristics

Bad debt provision method for a portfolio of credit risk characteristics

Group 1: aging analysis method With credit risk according to nature of business.

Group 2: no provision Without credit risk according to nature of business.

Aging analysis method:

Aging	Ratio of the provision for accounts receivable (%)	Ratio of the provision for other receivables (%)
Within one year	5	5
Between one and two years	10	10
Between two and three years	30	30
Between three and four years	50	50
Between four and five years	80	80
Over five years	100	100

(3) Other individually not significant receivables but individually tested for impairment

Reasons for making individual bad debt provision There is objective evidence to demonstrate that the Group is not able to fully recover the receivables according to the original terms and conditions of the receivables.

Bad debt provision methods The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows.

12. Inventories

(1) Categories of inventories and initial measurement

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, low cost and short-lived materials, work in progress, finished goods, properties under development, completed properties held for sales, construction contracts-gross amount due from contract customers etc.

(2) Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the first-in-first-out or weighted average method. Cost of finished goods and work in progress comprise all costs of materials, direct labor costs and other manufacturing overheads allocated on a normal production capacity and systematic basis.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories (Continued)

(3) ***Basis for determining net realizable value of inventories and provision methods for decline in value of inventories***

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined based on clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their carrying amount, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

(4) ***The perpetual inventory system is maintained for stock system.***

(5) ***Amortization method for low cost and short-lived consumable items and packaging materials***

Other materials include packaging materials and low cost and short-lived consumable items. Packaging materials and low cost and short-lived consumable items are using either one-off amortization method or multiple-stage amortization method.

(6) ***Properties under development and completed properties held for sale***

Costs of properties under development and completed properties held for sale mainly consist of acquisition cost of land use rights, expenditures of land development, infrastructure costs, construction costs, capitalized borrowing costs and other relevant costs. The expenditure of development land is included in the development cost. The construction expenditures of public facilities (the facilities approved by the relevant government departments such as roads) form part of property development costs and are allocated to respective individual properties projects. Cost of property development product is calculated based on actual costs incurred.

(7) ***Construction contracts-gross amount due from contract customers***

Construction contracts are measured based on actual costs incurred, including all direct and indirect costs incurred from the date of signing the construction contracts to the completion of the construction contracts. The balances of construction contracts represent the net amount of construction costs incurred to date and recognized profits (less recognized losses), less progress billings and provision for foreseeable contract losses.

For an individual contract whose costs incurred to date plus recognized profits (less recognized losses) exceed progress billings, the gross amount due from customers for contract work in inventory is presented as "gross amount due from contract customers" listed in inventories. For an individual contract whose progress billings exceed costs incurred to date plus recognized profits (less recognized losses), the gross amount due to customers for contract work in advance from customers is presented as "gross amount due to contract customers" listed in receipts in advance.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments

Long-term equity investments include investments in subsidiaries by the Company, joint ventures and associates held by the Group.

Subsidiaries are the companies that are controlled by the Company. Associates are the companies over which the Group has significant influence. Joint ventures are joint arrangements over which the Group has joint control along with other investors and has rights to the net assets of the joint arrangement.

The Company accounts for the investment in subsidiaries at historical cost in the Company's financial statements. Investments in associates and joint ventures are accounted for under equity method.

(1) *Determination of investment cost*

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the share of the carrying amount of the shareholders' equity of the acquiree attributable to the ultimate controlling party at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition (for a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date).

Regarding the long-term equity investment acquired otherwise than through a business combination, if the long-term equity investment is acquired by cash, the historical cost is determined based on the amount of cash paid and payable; if the long-term equity investment is acquired through the issuance of equity instruments, the historical cost is determined based on the fair value of the equity instruments issued.

(2) *Subsequent measurement and recognition of profit or loss*

If the long-term equity investment is accounted for at cost, it should be measured at historical cost. Dividend declared by the investee should be accounted for as investment income.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income of the investee for the period as investment income or loss and other comprehensive income for the period. The Group recognizes its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period. The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. For the changes in equity in addition to the net profit or loss, other comprehensive income and profits distribution, adjust the carrying value of long-term equity investment when the investee declares dividend distribution and included in shareholders' equity. The Group recognizes its share of the dividends of the investee should be adjusted, and reduces the carrying value of the investment. Unrealized profits or losses resulting from the Group's transactions with its associates and joint ventures are recognized as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated if the trading assets do not form a business. Unrealized losses are resulted from the Group's transactions with its associates and joint ventures, the impairment losses on the transferred assets are not eliminated.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

(3) **Basis for determining control, joint control and significant influence over investee**

Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

(4) **Methods of impairment assessment and determining the provision for impairment loss**

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note V19).

(5) **The disposal of long-term equity investment**

On disposal of a long term equity investment, the difference between the proceeds actually received and receivable and the carrying amount is recognized in profit or loss for the period.

If the Group loses its control over the investee because of the disposal of partial equity investment and the remaining equity investment still have joint control or significant influence on the investee, then equity method should be adopted to record long-term equity investment when preparing the financial statements as if the equity investment is all the way accounted for under equity method from the date the Group acquired this investment. If the remaining equity investment does not have joint control or significant influence on the investee, the equity investment should be recorded according to the recognition and measurement of financial assets and the difference between the carrying amount and fair value of the equity investment on the date of losing control shall be included in profit or loss for the current year.

The other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities on losing its control over the investee. The other changes in shareholders' equity of the investee's net assets except the net profit or loss, other comprehensive income and profit distribution will be included in profit or loss for the current year of losing its control over the investee. If the residual interests were measured under the equity method, the Group proportionally carries over the other comprehensive income and other shareholders' equity. If the residual interests were measured under the financial assets recognition and measurement standard, the Group wholly carries over the other comprehensive income and other shareholders' equity.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Investment properties

Investment properties include properties held to earn rentals or for capital appreciation or properties in construction which will be used to earn rentals or for capital appreciation in the future. An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortization policy for the investment property according to estimated useful lives and net salvage value for buildings or land use rights. The estimated useful lives, estimated residual values and annual depreciation rates of investment properties by category are as follows:

	Estimated useful lives	Estimated residual values (%)	Annual depreciation rate (%)
Buildings	15–40 years	3–5	2.38–6.47
Land use rights	40–70 years	–	1.43–2.50

When the purpose of the investment properties is changed to self-use, the investment properties are transferred to fixed assets or intangible assets from the date the purpose is changed. When the purpose of the self-use buildings or land use rights are changed to held for earning rentals or capital appreciation, the buildings are transferred from fixed assets or intangible assets to investment properties from the date the purpose is changed. The carrying amounts of the buildings remain unchanged before and after the purpose change.

The estimated useful lives, estimated residual values and annual depreciation rate of investment properties are reviewed at each year end date to assess if any change is needed.

When an investment property is sold or retired from its use and the expected not to be able to recover economic benefits from disposal, the investment property should be de-recognized. When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

The difference between recoverable amounts of the investment properties under the carrying amount is referred to as impairment loss (Note V19).

15. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets include buildings and structures, machinery and equipment, transportation vehicles and office equipment.

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Purchased or constructed fixed assets are initially measured at cost when acquisition. During the course of transformation of the Company into a limited liability company, the initial costs of fixed assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed assets (Continued)

(1) Recognition criteria for fixed assets (Continued)

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Those old fixed asset items are replaced by other new fixed asset items, the old fixed asset items should be de-recognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(2) Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of fixed asset recognized less expected net residual value over its useful life using the straight-line method. The fixed asset after impairment, depreciation is calculated based on the carrying amount of the fixed asset after impairment over the estimated remaining useful life of the asset. The estimated useful lives, estimated residual values and annual depreciation rate of fixed assets are reviewed at each year end date to assess if any change is needed. The estimated useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation	Useful life (year)	Residual value (%)	Annual depreciation rate (%)
Buildings and structures	the straight-line method	15–40	3–5	2.38–6.47
Temporary buildings and structures	the straight-line method	3–5	3–5	19.00–32.33
Machinery and equipment	the straight-line method	3–14	3–5	6.79–32.33
Transportation vehicles	the straight-line method	5–12	3–5	7.92–19.40
Office equipment and others	the straight-line method	5–12	3–5	7.92–19.40

(3) Identification basis and valuation methods for fixed assets acquired under finance leases

If all the risk and reward of ownership of the assets under finance lease are in substance transferred to the Group, the historical cost of the fixed asset held under finance lease is determined at the lower of the fair value of the assets and the present value of the minimum lease payments. The difference between the initial cost of the fixed asset held under finance lease and the minimum lease payments is referred to as unrecognized finance costs (Note V27(2)).

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

(4) Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The difference between recoverable amounts of the fixed assets under the carrying amount is referred to as impairment loss (Note V19).

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction, installation costs, borrowing costs capitalized and other expenditures incurred until such time as the relevant assets are completed and ready for its intended use. When the asset concerned is ready for its intended use, the cost of the asset is transferred to fixed assets and depreciated starting from the following month.

The difference between recoverable amounts of the construction in progress under the carrying amount is referred to as impairment loss (Note V19).

17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Borrowing costs incurred subsequently should be charged to profit or loss. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences on foreign currency specific-purpose borrowing are fully capitalized whereas exchange differences on foreign currency general-purpose borrowing is charged to profit or loss.

18. Intangible assets

(1) Valuation methods, service life, impairment test

The Group's intangible assets include land use rights, concession assets, mining rights, software, patent and technology rights etc. Intangible assets are measured initially at cost. During the course of transformation of the Company into a limited liability company, the initial costs of intangible assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

(a) Land use rights

Land use rights of the Group are amortized on the straight-line basis according to the useful lives of 40 to 70 years approved in the obtained land use rights certificates.

(b) Mining rights

Amortization is calculated based on the units of production method based only on proved mining reserves.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

(1) Valuation methods, service life, impairment test (Continued)

(c) Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority.

The Group recognizes revenue and a financial asset to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall from the granting authority, if any, between amounts received from users of the public service and specified or determinable amounts.

According to the contract, the Group has the right to charge fees from the service recipients during a certain operating period after the related infrastructure construction is completed. If the charge amount is undetermined, this right does not constitute any right of collecting cash unconditionally. The Group recognizes revenue and intangible assets simultaneously.

The Group classifies the non-current assets linked to the long term investment in these concession arrangements as "concession assets" within intangible assets on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortized over the term of the concession on the straight-line basis under the intangible asset model.

If the financial asset model is applied, the Group recognizes financial assets resulted from the concession arrangement in its balance sheet. The financial asset is measured at amortized cost using the effective interest method. Interest income is recognized in the profit or loss accordingly.

(d) Software

Software is amortized on the straight-line basis over its estimated useful life of 3 to 5 years.

(e) Patent and proprietary technologies

Patent and proprietary technologies are amortized on the straight-line basis over their useful lives of 5 to 20 years according to the contracts.

(f) Intangible asset with a finite useful life

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the year, and makes adjustments when necessary.

(g) The difference between recoverable amounts of the intangible assets under the carrying amount is referred to as impairment loss (Note V19).

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

(2) Research and development expenditure

Internal research and development project expenditures were classified into research expenditures and development expenditures depending on its nature and the greater uncertainty whether the research activities becoming to intangible assets.

Expenditure during the research phase is recognized as an expense in the period in which it is incurred. Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- The Group has the intention to complete the intangible asset and use or sell it;
- The Group can demonstrate the ways in which the intangible asset will generate economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- The expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures that do not meet all of the above conditions at the same time are recognized in profit or loss when incurred. Expenditures that have previously been recognized in the profit or loss would not be recognized as an asset in subsequent years. Those expenditures capitalized during the development stage are recognized as development costs incurred and will be transferred to intangible asset when the underlying project is ready for an intended use.

19. Impairment of long-term assets

The Company assesses at each balance sheet date whether there is any indication that the fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured at historical cost, investments in subsidiaries, joint ventures and associates may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. The recoverable amount of an asset is the higher of its fair value less costs to sell and the present value of the future cash flow estimated to be derived from the asset. The Group estimates the recoverable amount on an individual basis. If it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the asset belongs. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups.

Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. Each of the related asset groups or set of asset groups is an asset group or set of asset group that is able to benefit from the synergies of the business combination and shall not be larger than a reportable segment determined by the Group. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

20. Long-term prepayments

Long-term prepayments include improvement expenses on leased fixed assets and other expenses incurred that should be amortized over the current and subsequent periods (amortization period of more than one year). Long-term prepayments are amortized on a straight-line basis over the expected periods in which benefits are derived, presented by the net amount of actual expenditure less accumulated amortization.

21. Employee benefits

(1) Short-term employee benefits

Short-term employee benefits include salaries, bonus, subsidies, staff benefits, social security charges (including medical insurance, work-related injury insurance and maternity insurance, etc.), housing funds, labor union expenditures and personal education.

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognized as liabilities and included in the profits or losses of the current year or recognized as respective assets costs. At the time of actual occurrence, The Group's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value.

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Group paid for employees, the Group should recognize corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognized as respective assets costs.

(2) Post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

All the employees of the Group enjoy and participate in the endowment insurance plans set by local government, which are called defined contribution plans. The Group takes certain proportion (no more than upper limit) out of employees' wages as endowment insurance, and pays to local labor and social security institutes. Corresponding expense shall be included in the profits or losses of the period in which employees provide services or assets associated costs.

The Group provides supplementary pension benefits to certain retired employees, which is considered as defined benefit plans. The defined benefit plans obligation is calculated semiannually by independent actuaries using the projected unit credit method. The Group's defined benefit plans include the following components: (i) Service cost include current year service cost, past-service cost and settlement gain or loss. Current year service cost means the increase of the value of defined benefit plans resulted from the current year service offered by employee. Past-service cost means the increase or decrease of the value of defined benefit plans resulted from the revision of the defined benefit plans related to the prior year service offered by employee. (ii) Interest costs of defined benefit plans payable. (iii) Changes related to the revaluation of defined benefit plans liabilities.

Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Group charges (i) and (ii) mentioned above into profits or losses of the current year, and recognize (iii) mentioned above as other comprehensive income without charging into profit or loss in later accounting periods.

Part of subsidiaries of the Group provide medical benefits to the retired employees. The costs of benefits are determined using the same accounting policies with defined benefit plans.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits (Continued)

(3) Termination benefits

Liabilities arising from termination benefits and staff internal retirement plan are recognized after the edition of the termination agreement or notice to the employee. The Group should recognize the employee benefits liabilities related to the compensation of the labor relationship termination and charge to profit or loss at the time when the below two signals which happens earlier: (i)The Group cannot withdraw from the compensation plan of the labor relationship termination by itself. (ii)The Group recognizes the costs or expenses of the reorganization involving the compensation of termination. When the Group offers some compensation plans to encourage the employee to accept the termination of the labor relationship voluntarily, the termination benefits are recognized based on the expected number of employee who are willing to take the compensation plans. The specific terms of the termination and early retirement plan varies according to the occupation, seniority and location etc.

The Group provides internal retirement benefits to employees who are willing to retire voluntarily. Internal retirement benefits refer to wages and social security fees the Group pays to employees who retired earlier voluntarily with the approval of the management. Early retirement benefits are recognized in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The accounting treatments of early retirement benefits are referring to termination benefits. From the date on which the termination benefit requirements are fulfilled, the Group recognizes monthly paid salaries and social benefits for these early retirees during the period from the date of early retirement to the normal retirement date as employee benefits payable and charges to profit or loss of the current year.

22. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the settlement date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows. The increase in the provision due to passage of time is recognized as interest expense.

If all or part of the provision settlements is reimbursed by third parties, when the realization of income is virtually certain, then the related asset should be recognized. However, the amount of related asset recognized should not be exceeding the respective provision amount.

At the balance sheet date, the amount of provision should be re-assessed to reflect the best estimation then.

Provisions are recognized in respect of the present obligations to fulfill the repair and maintenance requirements set out in the concession arrangements if it is probable that an outflow of resources will be required to settle this obligations and the amount has been reliably estimated.

Provisions are recognized in respect of the present obligations of the pending litigations if is probable that an outflow of resources will be required to settle this obligations and the amount has been reliably estimated.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

23. Perpetual bonds or other financial instruments

Perpetual bonds or other financial instrument issued by the Group are equity instruments if, and only if both conditions (a) and (b) below are met:

- (a) The instrument includes no contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer.
- (b) If the instrument will be or may be settled in the issuer's own equity instruments, and it is a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments.

Except for the other financial instruments as stated above which can be classified as equity, all other financial instruments issued by the Group are classified as financial liabilities.

The interest expenses or dividends of perpetual bonds or other financial instruments classified as equity instruments are treated as profit distribution of the Group. The repurchase or cancellation of these instruments is treated as change in equity. The related transaction costs are deducted from equity.

24. Revenue

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below:

(1) Revenue from sale of goods

Revenue from sale of goods is recognized when:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred or to be incurred can be measured reliably.

(2) Revenue from construction contracts

- (a) When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. Percentage of completion method means the method of confirming revenues and expenses according to the schedule of the contracted project.

The stage of completion of a contract is determined using the proportion that actual contract costs incurred to date bears to the estimated total contract costs/proportion that completed contract work bears to the estimated total contract work.

Revenue from fixed price construction contracts is recognized when:

- The amount of total contract revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred can be clearly separated and measured reliably;
- The stage of completion of the contract and the cost to be incurred to complete the contract can be reliably certain.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(2) Revenue from construction contracts (Continued)

(a) (Continued)

The outcome of cost plus contract can be reliably estimated provided that these two conditions can be achieved:

- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred can be clearly separated and measured reliably.

At the balance sheet date, the amount of total contract revenue times the schedule of completion and deducting the previous accumulated revenue is recognized as contract income in the current year. Meanwhile, the amount of estimated total contract costs multiplied by the completion progress deducted the previously recognized costs is recognized as contract costs in the current year. Changes in contract work, claims and bonuses, would be included in the total contract revenue depend on the potential revenue and the amount can be reliably calculated.

(b) When the outcome of a construction contract cannot be estimated reliably:

- If contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the period in which they are incurred;
- If contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized.

(c) If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period.

The disclosure for individual construction is set out in Note VII10(4) and Note VII30(3).

(3) Revenue from rendering of services

(a) Revenue from rendering of services where the outcome can be estimated reliably is recognized using the percentage of completion method at the balance sheet date. Percentage of completion method means the method of confirming revenues and expenses according to the schedule.

Revenue from rendering of services is recognized when:

- The amount of revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The stage of completion of the transaction can be determined reliably;
- The associated costs incurred or to be incurred can be measured reliably.

(b) When the outcome of the transaction involving the rendering of services cannot be estimated reliably:

- When it is probable that the costs incurred that will be recovered, the revenue is recognized to the extent of the costs incurred and the costs are recognized as the same amount.
- When it is not probable that the costs incurred will be recovered, the costs incurred should be recognized as expenses immediately when incurred and revenue is not recognized.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(4) Assignment of asset use right

This revenue consists of interest revenue, royalty revenue and rental revenue, etc. Revenues are recognized when:

- It is probable that the associated economic benefits will flow to the Group;
- The amount of revenue can be measured reliably.

Interest income amount is calculated by the using time of monetary funds and effective interest by others.

The amount of royalty revenue is calculated in accordance with the time and method of charging as stipulated in the relevant contract or agreement.

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

(5) Revenue from mining

Revenue from mining is recognized when coincides with the following circumstances: (i) The risks and rewards in relation to sales of mining products are transferred to the buyers; (ii) The Group does not retain the management rights related to ownership, and no longer perform control on the goods; (iii) The amount of revenue can be accurately measured; (iv) The relevant economic interests are likely to flow into the Group; (v) Future or past costs can be reasonably assured.

(6) Revenue from sales of properties

Revenue from sale of completed properties held for sale is recognized when: (i)The completed properties held for sale has completed construction and acceptance; (ii)The Group has signed legally sales contract; (iii)The significant risks and rewards of ownership of the completed properties held for sale had transferred from the Group to the buyer; (iv)The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the completed properties held for sale sold.

(7) Build-Operation-Transfer ("BOT") revenue

During the construction period of the BOT contract, revenue and expenses are recognized in accordance with construction contracts. After the completion of the BOT construction contract, revenue is recognized in accordance with service income.

25. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, including tax returns, financial subsidies and so on.

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Government grants (Continued)

(1) **The basis of judgment and accounting method of the government grants related to assets**

The Group government grants mainly including the investment subsidies for the purchase of new equipment and other production infrastructure, since that these government grants are used for purchase or forming long-term assets, such grants are the government grants related to assets.

A government grant related to an asset is recognized as deferred income, and amortized to profit or loss on a straight-line basis over the useful life of the related asset.

(2) **The basis of judgment and accounting method of the government grants related to profits**

The government grants related to profits are in addition to the ones related to assets. The Group government grants mainly including research subsidies, since that these government grants are mainly the compensation for related expenses or losses of the enterprises, such grants are the government grants related to profits.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

(3) **Relocation compensation received for relocation in the public interests**

The Group receives relocation compensation from the government for the benefit of public interests such as urban overall planning, reservoir construction, and transformation of squatter settlements and settling area control. The relocation compensation is paid out of financial budgets by governments and is recognized as special payables when received. Compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income, and recognizes as government grants relating to assets or income accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

26. Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

All taxable temporary differences are recognized as related deferred tax liabilities under normal circumstances. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. However, for deductible temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Deferred tax assets/deferred tax liabilities (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of those transactions or events which have been directly recognized in other comprehensive income or shareholders' equity, and deferred tax recognized on business combinations, all other current income tax and deferred tax items are charged to profit or loss in the current year.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

27. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(1) Operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period.

(2) Finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge, using the effective interest method amortization during the lease term. Minimum lease payments deducting unrecognized financing charges are listed as long-term payables.

(3) Sale and lease back

If sale and lease back arrangement is accounted for as finance lease, the difference between sale consideration and the carrying value of the asset is recognized as a deferred income and is amortized on a straight-line basis over the remaining useful life of that asset and adjusted the depreciation charge of that asset.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Other significant accounting policies and accounting estimates

(1) *Distribution of profit*

The cash dividend of the Company is recognized as a liability upon approval in the annual shareholders' meeting.

(2) *Production safety expenses*

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization <CaiQi [2012] No.16> and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilization, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current year, and provided as a fund in the special reserve. When the expenditures are utilized, they should be offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized as construction in progress. When the assets are ready for their intended use, a same amount should be offset against the special reserve and recorded as accumulated depreciation at the same time. The related fixed asset is not subject to any further depreciation in the subsequent periods.

(3) *Segment information*

The accounting policies of segment information are listed in Note XV1(1).

(4) *Significant accounting judgments and estimates*

As operating activities have inherent uncertainties, the Group need to make judgments, estimates and assumptions upon report items that cannot be accurately calculated in applying the above accounting policies. These judgments, estimates and assumptions are made based on historical experiences of the management of the Group, taking other related factors into consideration. The actual results may be different from the estimates of the Group.

The Group review the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current year, the influence amount is recognized in the current year. If the changes of accounting estimates affect both of the current year and the future period, the influence amount is recognized in the current year and the future period.

– *Important judgments in applying accounting policies*

The Group made some important judgments in applying accounting policies, which have significant influences on the amount of financial statements.

(a) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V23 to be recorded as equity instrument. Details are set out in Note VII46.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Other significant accounting policies and accounting estimates (Continued)

(4) Significant accounting judgments and estimates (Continued)

– *The key assumptions and uncertainties used in accounting estimates*

As at balance sheet date, the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next 12 months are as below:

(a) Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method (budgeted contract costs shall be estimated by the management). Where the outcome of a construction contract cannot be estimated reliably, (i) if contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the year in which they are incurred; (ii) if contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized. If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period. When the expected loss of contract confirmed, company would make provision of relevant part of the loss and recognized as expense. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs or extent of progress toward completion; estimates are revised, if needed. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in consolidated income statement in the year in which the circumstances that give rise to the revision become known by management.

(b) Provision for impairment

The impairment of receivables is based on the evaluation of the collectability of the outstanding receivables. Provisions for impairment will be made where there is objective evidence that such receivables are not collectible. The management's judgment and estimation are required in the recognition of the impairment of receivables. If re-estimations differ from the original estimates, such differences will affect the profit and carrying amount of receivables in the period in which the estimate changes.

(c) Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

At the end of each year, the Group reviews and makes appropriate adjustment for expected service life and expected net salvage value of fixed assets.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Other significant accounting policies and accounting estimates (Continued)

(4) Significant accounting judgments and estimates (Continued)

– The key assumptions and uncertainties used in accounting estimates (Continued)

(d) Impairment loss on assets

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired, such as long-term equity investments, fixed assets, construction in progress, intangible assets with finite life, investment properties measured at cost model and other long-term assets. The recoverable amount of the asset or assets group is the higher of the present value of future cash flow estimated to be derived from the asset and the fair value less costs to sell.

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 14.29% to 17.33% for the reporting period (for the year ended 31 December 2014: 13.44% to 21.92%). The Group recognizes impairment provisions for fixed assets, construction in progress, intangible assets and goodwill according to estimated recoverable amount. Impairment assessment and measurement of the provision for impairment of above assets are stated in Notes VII18, VII19, VII21, and VII22.

If management revises the assumption of estimated future revenue and profit margin in future cash flow calculation of an asset group or set of asset groups, and if the revised revenue and profit margin is lower than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgment on whether additional impairment provision is necessary.

If management revises the assumption of estimated pre-tax discount rate in future cash flow calculation, and if the revised discount rate is higher than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgment on whether additional impairment provision is necessary.

If the actual revenue and profit margin is higher than management estimation or the pre-tax discount rate is lower than management estimation, the Group should not reverse the impairment losses on long-term assets in subsequent accounting periods.

(e) Tax

The Company and its subsidiaries are subject to income taxes and other taxes in numerous jurisdictions in domestic provinces and certain overseas countries. The ultimate tax effect of many transactions has uncertainty during normal business activities. The Group shall make significant judgment on current year income tax and land appreciation tax provisions in different areas and districts. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current year income tax provisions in the periods in which the differences arise.

FINANCIAL STATEMENTS

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Other significant accounting policies and accounting estimates (Continued)

(4) Significant accounting judgments and estimates (Continued)

– The key assumptions and uncertainties used in accounting estimates (Continued)

(e) Tax (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilized. In cases where the estimated amount differs from original estimation, the difference would influence the recognition of deferred tax assets in the period when the estimation changes. Deferred tax assets relating to certain temporary differences and tax losses should not be recognized if management considers it is not probable to utilize the deductible temporary differences or tax losses to deduct taxable income in future.

As at 31 December 2015, the Group has recognized deferred tax assets of RMB3,733,420,000 (as at 31 December 2014: RMB3,316,126,000), in consolidated balance sheet. In cases where the actual future profits generated is less than estimated and where the actual tax rate is lower than estimated, a material reversal of deferred tax assets may arise, which will be recognized in the income statement in the period in which such a reversal takes place. As at 31 December 2015, the Group has an unrecognized deductible tax losses of RMB22,009,153,000 (as at 31 December 2014: RMB20,436,884,000) and an unrecognized deductible temporary differences of RMB4,290,281,000 (as at 31 December 2014: RMB6,778,885,000), not recognized as deferred income tax assets since the Group is uncertain about recoverable period of deductible tax losses and deductible temporary differences. In cases where the actual future profits generated are greater than estimates and where the actual tax rate is higher than estimates, an adjustment of deferred tax assets may arise, which will be recognized in the income statement in the period in which such an adjustment takes place.

(f) Retirement benefits

The Group establishes liabilities in connection with benefits paid to certain retired employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions assumptions on discount rates, salary growth rates during retirement, medical expense growth rates, and other factors. Actual results that differ from the assumptions are recognized immediately and therefore affect recognized other comprehensive income in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the other comprehensive income and balance of liabilities related to the employee retirement benefit obligations.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

During the reporting period, there were no important changes in accounting policies.

(2) Changes in significant accounting estimates

During the reporting period, there were no important changes in accounting estimate.

VI TAXATION

1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	VAT payable (VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current year)	6%, 11%, 13% and 17%
Business tax ("BT")	Taxable turnover	3%, 5%
City maintenance and construction tax ("CCT")	Value-added tax, consumption tax and business tax	1%, 5%, 7%
Education surcharges	Value-added tax, consumption tax and business tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Printing and Issuing the Pilot Proposals for the Change from Business Tax to Value-Added Tax ("Caishui [2011] No. 110") and the Circular including Railway Transportation and Postal Service in the Pilot of the Change from Business Tax to Value-Added Tax ("Caishui [2013] No. 106"), organizations and individuals providing transportation services, postal services and certain modern services in the territory of the People's Republic of China are taxpayers of value-added tax. Taxpayers providing taxable services shall pay value-added tax pursuant to these Measures and shall no longer be required to pay business tax from 1 January 2014. Some subsidiaries of the Group have already undertaken the change from business tax to value-added tax according to the requirements of the circular above.

- (1) The disclosure of the entities of tax payment suitable for non-25% enterprise income tax rate are disclosed in Note VI2.

FINANCIAL STATEMENTS

VI TAXATION (Continued)

1. Major categories of taxes and respective tax rates (Continued)

(2) The foreign business entities subject to income tax rates other than 25%

Subject of tax payment	Enterprise income tax rate
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
MCC international Venezuelan Ltd.	34%
China Enfi (Namibia) Ltd.	33%
Wuhan Surveying Geotechnical Research Institute Co., Ecuador Ltd. of MCC	33%
China First Metallurgical India (Private) Ltd.	32.45%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Malaysia Overseas Ltd.	26%
MCC Real Estate Malaysia Ltd.	26%
MCC-CISDI Engenharia do Brisal Ltd.	20%
MCC Tian Gong (Kuampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
China Jingye Engineering Corporation Ltd. (Singapore Branch)	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
China MCC International Economic and Trade (Hong Kong) Co., Ltd.	16.5%
MCC Hong Kong Overseas Ltd.	16.5%
Hong Kong Nan Hua International Engineering Ltd.	16.5%
Xiong Hui Investment Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	16.5%
MCC-CISDI Engenharia do Brisal Ltd.	16.38%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	7%
MCC India Indonesia Construction Co., Ltd.	3%
MCC Ramu NiCo Ltd.	0%
Ramu NiCo Management (MCC) Ltd.	0%
MCC Tongsin Resources Ltd.	0%
MCC JCL Anak Mining Co., Ltd.	0%
China Metallurgical Group Duda Mining Development Co., Ltd.	0%
China Metallurgical Group Resources Development Co., Ltd.	0%

VI TAXATION (Continued)

2. Tax incentive

(1) *Preferential Tax Policies for the Development of the Western Regions*

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Preferential Tax Policies for the Development of the Western Regions (“Caishui [2001] No. 202”), Guoshui [2002] No. 47 and Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (“Caishui [2011] No. 58”) (hereinafter referred to as the “circular”), cleared out lump sum of concerning tax policies to further support the development of the western region. The above circular had been implemented since 1 January 2011. From 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region engaging in those industries with tax incentive. According to the regulation, the following subsidiaries of the Company were approved by the local tax bureau, and enjoy preferential tax policies for the development of the western regions, and enterprises need to submit application for applying relevant tax incentive every year:

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- (c) MCC Chongqing Real Estate Development Co., Ltd., MCC Chongqing Property Management Co., Ltd., Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Finance Co., Ltd., CISDI Engineering Co., Ltd., Chongqing CISDI Metallurgical Equipment Systems Research Center and Integrated Engineering Technology Co., Ltd., Chongqing CISDI Heavy Industry Equipment Co., Ltd., Chongqing CISDI Property Management Co., Ltd. and MCC Xian Electric Furnace Institute Co., Ltd. have been levied at a preferential tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., China Metallurgical Construction Engineering Group Chongqing Steel Structure Co., Ltd. and China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2020.

(2) *Preferential Tax Policies for High-Technology Enterprises*

The following subsidiaries of the Company have been identified as high-technology enterprises by the provincial department of science and other related institutions, these enterprises can enjoy the related tax incentives of high-technology enterprises:

- (a) BERIS Engineering and Research Co., Ltd., Beijing Tieforce Drive Machine Co., Ltd., CISDI Electrics Technology Co., Ltd., Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC were levied at a preferential tax rate of 15% from 2012 to 2015.
- (b) Beijing Sida Jian Mao Science and Technology Development Co., Ltd., MCC Welding Technology Co., Ltd., MCC Energy Conservation Environmental Protection Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Northern Engineering & Technology Corporation, MCC(Dalian), ACRE Coking & Refractory Engineering Consulting(Dalian) Corporation, WISDRI Wuhan Steel Design & Research Co., Ltd. and WISDRI Handan Wupeng Furnace lining New Material Co., Ltd. were levied at a preferential tax rate of 15% from 2013 to 2015.
- (c) CISDI Shanghai Engineering Technology Co., Ltd. and MCC Chang Tian (Hunan) Heavy industry technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2013 to 2016.

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VI TAXATION (Continued)

2. Tax incentive (Continued)

(2) Preferential Tax Policies for High-Technology Enterprises (Continued)

- (d) Shanghai Baoye Engineering Technology Co., Ltd., Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 5 Group Co., Ltd., Wuhan Huaxia Jingchong Technology Co., Ltd., China First Metallurgical Group Co., Ltd., Beijing Enfi Environmental Protection Co., Ltd., Beijing Enfi Environmental Protection Technology Co., Ltd., MCC Huatian Engineering & Technology (Nanjing) Co., Ltd., Huatian Engineering & Technology Corporation, MCC, Huatian Engineering & Technology Corporation MCC, Nan Jing Industrial Furnace Co., Ltd., MCC Communication Construction Group Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Wei Shi Industrial Furnace Co., Ltd., WISDRI Engineering & Research Incorporation Limited, China City Environment Protection Engineering Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd. and Shen Kan Engineering & Technology Corporation, MCC have been levied at a preferential tax rate of 15% from 2014 to 2016.
- (e) Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Seric Graphic Mdt Info Tech Ltd., CERI Long Product Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., CERI Eco Technology Co., Ltd., CERI Technology Co., Ltd., MCC Capital Engineering & Research Incorporation Limited, CERI Manufacturing Executive & Managing System Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd. and Hunan Changtian Automation Co., Ltd. have been levied at a preferential tax rate of 15% from 2014 to 2017.
- (f) Baotou Beilei Continuous Casting Engineering Technology Co., Ltd., China ENFI Engineering Corporation, MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technology Services Co., Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai MCC 13 Group Co., Ltd., China Huaye Group Co., Ltd., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing New Vision Building Construction Technology Co., Ltd., Tianjin Ye Jian Construction Materials Co., Ltd., Beijing MCC Equipment Research & Design Corporation Ltd., China MCC 19 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., Wu Han Yi Ye Steel Structure Co., Ltd., China silicon Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, MCC (Beijing) Transportation Science and Technology Development Co., Ltd., CCTEC ENGINEERING Co., Ltd. and Beijing Jinwei Soldering Material Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2017.
- (g) Maanshan MCC 17 Engineering Science & Technology Co., Ltd., CERI Colin Environmental Protection Technology Co., Ltd., MCC Capital (Qinhuangdao) Engineering & Research Incorporation Limited, and CERI (Yangzhou) Machinery Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2018.

VI TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax benefits

- (a) According to the relevant regulation of the preferential tax policies about the projects of environmental protection in Chapter IV, Article 88 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, the Order of the President of the People's Republic of China ("[2007] No. 63") and the Order of the State Council No. 512:

MCC Qinhuangdao Water Co., Ltd. and MCC Funing Water Co., Ltd. satisfied the related requirements of environmental protection as well as energy and water conservation, from the tax year in which the enterprise obtains first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted. This policy has come into effective from 2010 and 2015 is still in their tax holiday. The applicable tax rate for the above two subsidiaries for this year was 12.5%.

The businesses of Laian Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Huangshi Water Corporation MCC, Lanzhou Zhongtuo Water Corporation, Liuan Water Corporation MCC, Maanshan Water Corporation, MCC, Xiaogan Zhongshe Water Co., Ltd., and Beijing Zhongshe Water Treatment Co., Ltd., relate to the environmental protection projects which have been supported by the government. From the tax year when the enterprise has obtained the first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted.

Among them, the preferential policy of Laian Huatian Water Corporation MCC and Shouguang North Water Corporation MCC has come into effect in 2010, the applicable tax rate for this year was 12.5%. The preferential policy of Huangshi Water Corporation MCC has come into effect in 2011, the applicable tax rate for this year was 12.5%. The preferential policy of Lanzhou Zhongtuo Water Corporation has come into effect in 2012, the applicable tax rate for this year was 12.5%. The preferential policy of Liuan Water Corporation MCC and Maanshan Water Corporation MCC has come into effect in 2014 and the applicable tax rate for this year was 0%. The preferential policy of Xiaogan Zhongshe Water Co., Ltd. and Beijing Zhongshe Water Treatment Co., Ltd. has come into effect in 2015 and the applicable tax rate for this year was 0%.

- (b) According to the Item 3 of Article 27 of the Law of the People's Republic of China on Enterprise Income Tax as well as Article 87 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, following examination and approval by the tax authorities, Enfi New Energy (Zhongwei) Co., Ltd. enjoys the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax 50%-reduction" and Preferential Tax Policies for High-Technology Enterprises from 2012. In this year, the applicable tax rate of Enfi New Energy (Zhongwei) Co., Ltd. was 7.5%.

Xiangyang Enfi Environmental Protection Energy Co., Ltd. enjoys the favorable corporate income tax policy of "three-year tax exemption followed by three-year tax 50%-reduction" from 2012 and the applicable tax rate for this year was 12.5%. In addition, 10% of the investment amount of the specific equipment for energy conservation and environmental protection purchased by the company can be claimed tax credit deducted from the tax payable for this year and can also be carried forward in the next 5 tax years if the tax payable amount is not fully deducted for the tax credit. The preferential tax period is from 2014 to 2018.

FINANCIAL STATEMENTS

VI TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax policies (Continued)

(c) According to Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for Software Enterprises, CISDI Group Chongqing Information and Technology Co., Ltd. enjoys the policy of “two-year exemption followed by three-year tax 50%-reduction” of enterprise income tax from 2011. The applicable tax rate for this year was 12.5%.

(d) According to the Ministry of Finance, the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry (“Caishui [2010] No. 110”), qualified energy conservation service companies implementing energy management contract projects that meet the relevant provisions of the Enterprise Income Tax Law shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from their production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

MCC Hunan Changtian Energy-saving and Environmental Protection Technology Co., Ltd. has a number of energy management contract projects. Each project is subjected to income tax independently, and shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from its production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

(e) According to the relevant regulation of Ministry of finance, the State Administration of Taxation on Implementation of Preferential Enterprises Income Tax Policies for Small and Low-Profit Enterprises (“Caishui [2015] No. 34”), the Article 28 of the Law of the People’s Republic of China on Enterprise Income Tax as well as Article 92 of the Implementing Regulations of the Law of the People’s Republic of China on Enterprise Income Tax:

MCC Central Research Institute of Jilin and Construction Property Management Co., Ltd., Tianjin Weishi Engineering Detection Co., Ltd., Tianjin Xinbin Engineering Technology Detection Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Shanghai Baoye Light Steel Co., Ltd. and Shanghai Baoye Group Dalian Construction Engineering Co., Ltd. met the standards of Small and Low-Profit Enterprises in 2015, their applicable enterprises income tax rate was 20%. Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Jingqiu Energy saving Technology Development Co., Ltd., Dalian Fenglin Safety Evaluation Test Consulting Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Chongqing Property Management Co., Ltd., China Metallurgical Construction Engineering Group Bangbu Construction Co., Ltd. and Steel Magazine (Hubei) Co., Ltd. met the standards of Small and Low-Profit Enterprises from 2015 to 2017, their applicable enterprises income tax rate was 20%.

Among them, Shanghai Baoye Light steel Co., Shanghai Baoye Group Dalian Construction Engineering Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Chongqing Property Management Co., Ltd., China Metallurgical Construction Engineering Group Bangbu Construction Co., Ltd. and Steel Magazine (Hubei) Co., Ltd. enjoyed 50% reduction of income tax.

VI TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax policies (Continued)

- (f) According to the circular “Guoshui [2009]185” on the issue of enterprise income tax preferential management of the comprehensive utilization of resources’ and “Caishui [2008]117” Corporate income tax directory of comprehensive utilization of resources (2008 Edition)”, from 1 January 2008, enterprises use these resources as raw material for the production of non-restricted and non-prohibited products which are in line with national and industry standard products, their income is reduced to 90% included in the total taxable revenue for that year.

China City Environment Protection Engineering Limited Company and Shanghai Baoye Industry Technology Service Co., Ltd. enjoyed the aforesaid preferential policy in 2015.

- (g) According to the relevant regulation of Law of the People’s Republic of China on Enterprise Income Tax, the Implementing Regulations of the Law of the People’s Republic of China on Enterprise Income Tax (“Order of the State Council No.512”) and Circular on Issues Concerning the Enterprise Income Tax Incentives on Enterprises That Recruit the Disabled (“Caishui [2009] No.70”), enterprise could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment.

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd. and Tianjin MCC 20 Group Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2015.

- (h) According to the related regulation of additionally calculation and deduction of research and development expenditures incurred in Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for the Pre-tax Deduction of Enterprises’ Expenditures for Research and Development ([2008] No.116), where an enterprise is engaged in the research and development on the Hi-tech subjects which are primarily supported by the PRC, such enterprise may, in accordance with relevant provisions, additionally claim and deduct 50% of the actual research and development expenditures incurred by the enterprise in a tax year when calculating the taxable income amount. The subsidiaries of the Company listed below enjoy the preferential tax policy:

BERIS Engineering and Research Co., Ltd. and Baotou Beilei Continuous Casting Engineering Technology Co., Ltd. have enjoy the preferential tax policy of the additionally calculation and deduction of research and development expenditures from 2008 to 2016.

FINANCIAL STATEMENTS

VI TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax policies (Continued)

(h) (Continued)

MCC Baosteel Technology Services Co., Ltd., Shanghai Baoye Industry Technology Service Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd. (formerly named as Shanghai Baoye Slag Comprehensive Development Co., Ltd.), Shanghai Baojiuhe Refractory Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., Panzhihua Tianyu Engineering Detection Co., Ltd., Tianjin MCC 20 Group Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 5 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China First Metallurgical Group Co., Ltd., Wu Han Yi Ye Steel Structure Co., Ltd., Wuhan Huaxia Jingchong Technology Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, Huatian Engineering & Technology (Nanjing) Corporation MCC, WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Information Engineering Co., Ltd., WISDRI Engineering & Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Industrial Furnace Co., Ltd., China City Environment Protection Engineering Co., Ltd., CCTEC Engineering Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., CISDI Electrics Technology Co., Ltd., Beijing Tiefertech Drive Machine Co., Ltd., MCC Xian Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., MCC Chang Tian (Hunan) Heavy Industry Technology Co., Ltd. and MCC Hunan Chang Tian Energy-saving and Environmental Protection Technology Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2015.

(i) According to "Caishui [2015]78", The Ministry of Finance, the State Administration of Taxation on Issuing the notice of the comprehensive utilization of resources "products and services" of value added tax preferential Directory, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Co., Ltd., Changzhou Enfi Water Co., Ltd., Liaian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, MCC Maanshan Water Corporation Co., Ltd., MCC Xuancheng Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Beijing Enfi Zhongshui Co., Ltd., MCC Changle Water Co., Ltd., MCC Xinglong Water Co., Ltd. and MCC Qinhuangdao Water Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax refund of 70% for the sewage treatment services since July 2015.

(j) According to the Ministry of Finance, the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry ("Caishui [2010] No. 110"), the taxable business income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from business tax (after VAT reform, be exempted from VAT).

MCC Hunan Changtian Energy-saving and Environmental Protection Technology Co., Ltd. has a number of energy management contract projects, which are exempted from VAT.

VI TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax policies (Continued)

- (k) According to the Circular of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Tax Policies for Encouraging the Development of Software and Integrated Circuit Industries ("Caishui [2000] No. 25"), MCC ACRE Automation Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products since 2010, with the refund rate of 14%.
- (l) According to the Ministry of Finance, the State Administration of Taxation on issues concerning Value-added Tax Policy on Software Products ("Caishui [2011] No. 100"), the refund-upon-collection policy shall be applied to the VAT part in excess of 3% of their actual tax burden of selling software products. CISDI Group Chongqing Information and Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products from 2015 to 2019, with the refund rate of 14%.
- (m) According to the "Su [2014] No. 30" for Comprehensive utilization, China City Environment Protection Engineering Limited Company, which is a subsidiary of the WISDRI Engineering & Research Incorporation Limited enjoyed the policy of "levy and refund" of value-added tax of selling software products from 2014 to 2015.
- (n) According to "Cai shui [2008] No. 156", Shanghai MCC Environmental Engineering Technology Co., Ltd., was exempted from value-added tax for the sales of commercial concrete in 2015.
- (o) According to the State Administration of Taxation, No. [2013]37, the technology development business income of MCC Xian Electric Furnace Institute Co., Ltd. was exempted from Value-added tax in 2015. Beijing Enfi Environmental Protection Co., Ltd. was exempted from value-added tax for the technology development contract in 2015.
- (p) According to the Circular of the Ministry of Finance and the State Administration of Taxation "Caishui [2013] No. 106", income derived from the operations of technology transfers, technology development and the related technology consultation shall be exempted from business tax. The income derived from the operations of technology transfers of Zhong Ye Chang Tian International Engineering Co., Ltd. was exempted from the business tax in 2015 (after VAT reform, be exempted from VAT).
- (q) According to the "Caishui [2000] No. 125", Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. enjoyed the policy of exemption of business tax and property tax for the enterprise public housing rental in 2015. According to the "Caishui [2014] No. 71", Beijing ShengPeng Real Estate Development Co., Ltd. and Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. enjoyed the policy of exemption of business tax if the monthly taxable income was less than RMB30,000 from 10 October 2014 to 2015.
- (r) Wuhu MCC Real Estate Group Co., Ltd. enjoyed the exemption from land use tax (the annual amounts of land-use tax per square meter is RMB12-15 before) and property transfer book was exempted from stamp duty in 2015.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

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

As at 31 December 2015, restricted cash and bank balances was RMB4,994,328,000 (as at 31 December 2014: RMB4,838,303,000)(in Note VII66), mainly including deposits for issuing bills of RMB2,942,072,000 (as at 31 December 2014: RMB2,312,599,000), statutory deposit reserve of RMB1,074,871,000 (as at 31 December 2014: RMB1,811,027,000), guarantee deposits of RMB542,054,000 (as at 31 December 2014: RMB399,560,000), and frozen deposits of RMB115,179,000 (as at 31 December 2014: RMB41,829,000) etc.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Financial assets at fair value through profit or loss

All amounts in RMB'000

Items	Closing balance	Opening balance
Held-for-trading financial assets	1,410,011	555
Including: Currency funds	1,408,856	–
Equity instruments	1,155	555
Total	1,410,011	555

The fair values of held-for-trading financial assets are based on their prices of publicly traded market on the last trading day of the reporting period.

3. Derivative financial assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Forward exchange contracts	–	18,532
Total	–	18,532

The basis of fair values determined on derivative financial assets are set out in Note XI3.

4. Bills receivable

(1) Bills receivable analysed by category

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Bills receivable (Continued)

(2) Pledged bills receivable at the end of the year

All amounts in RMB'000

Items	Amount
Bank acceptance bills	141,355
Commercial acceptance bills	11,892
Total	153,247

(3) Bills receivable endorsed to other parties or discounted but not yet due at the end of the year

As at 31 December 2015, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB5,214,275,000 (as at 31 December 2014: RMB8,139,471,000), among which the amount derecognized was RMB4,534,826,000 (as at 31 December 2014: RMB8,139,471,000), and the amount not derecognized was RMB679,449,000 (as at 31 December 2014: Nil).

(4) Bills receivable with title restriction as at 31 December 2015 are set out in Note VII66.

5. Accounts receivable

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

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

All amounts in RMB'000

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

(a) Analysis of accounts receivable which are individually significant and individually subject to provision for bad debts at the end of the year

All amounts in RMB'000

Accounts receivable (per entity)	Book value	Closing balance		Reasons
		Provision for bad debts	Proportion of provision (%)	
Party 1	1,148,416	120,077	10.46	Discounted amount of future cash flows is less than the original book value
Party 2	575,229	287,614	50.00	
Party 3	348,239	189,364	54.38	
Party 4	345,089	172,544	50.00	
Party 5	245,903	245,903	100.00	
Others	619,722	167,368	27.01	
Total	3,282,598	1,182,870	/	/

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

(b) In Group 1, aging analysis of accounts receivable which are subject to provision for bad debts

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	33,675,263	1,683,763	5.00	28,611,824	1,430,591	5.00
1 to 2 years	10,090,229	1,009,023	10.00	8,431,361	843,136	10.00
2 to 3 years	4,293,138	1,287,942	30.00	4,016,196	1,204,859	30.00
3 to 4 years	2,323,084	1,161,542	50.00	1,662,263	831,131	50.00
4 to 5 years	1,001,239	800,991	80.00	644,044	515,235	80.00
Over 5 years	1,546,058	1,546,058	100.00	1,361,167	1,361,167	100.00
Total	52,929,011	7,489,319	14.15	44,726,855	6,186,119	13.83

(3) Provision for bad debts for the current year was RMB1,724,179,000, recovered or reversed bad debts were RMB4,707,000.

(4) Accounts receivables written off for the current year were RMB18,175,000.

(5) The top 5 largest accounts receivable at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the year
Party 1	Third Party	2,694,095	3.68	268,455
Party 2	Third Party	1,583,174	2.17	–
Party 3	Third Party	1,167,223	1.60	288,738
Party 4	Third Party	1,148,416	1.57	120,077
Party 5	Third Party	1,105,307	1.51	61,295
Total	/	7,698,215	10.53	738,565

(6) As at 31 December 2015, the Group had derecognized accounts receivable amounting to RMB2,655,058,000 due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees (as at 31 December 2014: RMB1,002,279,000). The losses incurred due to derecognizing were amounting to RMB80,482,000 for the current year (for the year ended 31 December 2014: without incurring any losses).

(7) Accounts receivable with title restriction as at 31 December 2015 are set out in Note VII66.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Prepayments

(1) Aging analysis of prepayments

All amounts in RMB'000

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

As at 31 December 2015, prepayments aged over one year were RMB4,402,071,000 (as at 31 December 2014: RMB4,160,352,000), mainly including prepaid land lease payments and prepaid construction costs.

(2) The five largest prepayments at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total prepayments (%)
Party 1	Third Party	622,300	4.54
Party 2	Third Party	504,000	3.68
Party 3	Third Party	324,223	2.37
Party 4	Third Party	266,700	1.95
Party 5	Third Party	210,938	1.54
Total	/	<u>1,928,161</u>	<u>14.08</u>

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Interest receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interest on term deposits	11,644	11,505
Total	11,644	11,505

8. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

The name of investee	Closing balance	Opening balance
Tianjin Tuanbo Urban Development Co., Ltd.	18,000	–
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	17,097
Wuhan Zhonghe Engineering Technique Co., Ltd.	1,000	720
Maanshan Jiahe Real Estate Co., Ltd.	1,000	–
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	696	101,136
Wuhan Iron & Steel Group Finance Corporation, Limited	252	–
Wuhan Wuxin International Tendering Agency Co., Ltd.	–	281
Total	38,045	119,234

(2) As at 31 December 2015, dividends receivable aged over one year were RMB18,513,000.

9. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other receivables (Continued)

(2) Other receivables disclosed by category

All amounts in RMB'000

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

(a) Analysis of other receivables which are individually significant and individually subject to provision for bad debts at the end of the year

All amounts in RMB'000

Other receivables (per entity)	Book value	Closing balance		Reasons
		Provision for bad debts	Proportion of provision (%)	
Party 1	854,826	191,799	22.44	Discounted amount of future cash flows is less than the original book value.
Party 2	262,050	25,205	9.62	
Party 3	197,700	197,700	100.00	
Party 4	100,000	100,000	100.00	
Total	1,414,576	514,704	/	/

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

(b) In Group 1, aging analysis of other receivables which are subject to provision for bad debts

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of other receivables	Provision for bad debts	Proportion of provision (%)	Book value of other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	3,925,619	196,281	5.00	2,574,861	128,743	5.00
1 to 2 years	1,937,870	193,787	10.00	1,298,131	129,813	10.00
2 to 3 years	820,909	246,273	30.00	551,313	165,394	30.00
3 to 4 years	401,165	200,583	50.00	271,132	135,566	50.00
4 to 5 years	188,523	150,818	80.00	175,669	140,535	80.00
Over 5 years	626,528	626,528	100.00	657,940	657,940	100.00
Total	<u>7,900,614</u>	<u>1,614,270</u>	<u>20.43</u>	<u>5,529,046</u>	<u>1,357,991</u>	<u>24.56</u>

(3) Provision for bad debts for the current year was RMB553,398,000, recovered or reversed bad debts were RMB2,419,000.

(4) Other receivables written off for the current year were RMB23,574,000.

(5) Other receivables categorised by nature

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Other receivables (Continued)

(6) The top 5 largest other receivables at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the year
Party 1	Third Party	Receivables on disposal of investments	3,171,943	Within 2 years	10.07	–
Party 2	Third Party	Receivables on disposal of investments	2,316,629	Within 1 year	7.35	–
Party 3	Associate	Loan receivables from related parties	1,020,909	Within 1 year	3.24	–
Party 4	Joint Venture	Loan receivables from related parties	936,629	Within 8 years	2.98	–
Party 5	Joint Venture	Loan receivables from related parties	927,375	Within 1 year	2.94	–
Total	/	/	8,373,485	/	26.58	–

(7) As at 31 December 2015, there was no confirmation of the termination of other receivables due to the transfer of financial assets (as at 31 December 2014: nil).

10. Inventories

(1) Categories

All amounts in RMB'000

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

Note: Inventories with title restriction are set out in Note VII66.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	Opening balance	Closing balance
Nanjing Xiaguanbin River Project	2011-01-01	2020-04-30	16,728,279	15,265,618	9,826,457
Tianjin Xinbadali District Qixianli Project	2014-12-25	2017-06-30	6,375,700	194,149	4,811,471
Beijing Daxing Jiugonglve A1 Project	2013-09-13	2016-10-31	5,082,000	3,075,919	3,458,738
Brazil Fluctuation Apartment Project	2015-06-30	2018-12-31	3,686,040	2,290,243	2,516,151
Singapore Tampines No. 10 Project	2013-10-16	2018-10-16	2,755,922	1,690,701	1,848,589
Chongqing Tieshanping Project	2014-11-01	2020-12-31	3,500,000	1,752,897	1,790,109
Guangdong, Zhuhai, Hengqin New City Headquarters building	2012-11-06	2016-06-30	1,809,711	1,272,155	1,647,733
Baotou MCC Campus South Road Community Project	2011-08-01	2019-12-31	4,100,000	1,422,576	1,637,127
Qin Hai Yun Villa Project	2011-08-08	2018-12-31	4,400,000	1,154,791	1,443,029
Tangshan Fengrun Gengyang New City Project	2010-03-01	2020-12-31	10,550,000	1,138,425	1,155,165
Singapore Tampines Apartment Project Block D	2015-10-01	2019-11-30	2,008,581	-	1,100,184
Xi'an, MCC, Chang'an City Project II	2013-03-15	2016-06-30	1,160,806	572,729	740,222
Zhenjiang Yucui Gardan Project	2014-06-01	2019-06-30	1,200,000	587,078	716,645
MCC Dream Gather Plaza (original name: Shanghai Zhabei District Lingshi Road Commercial Real Estate Development Project)	2015-04-05	2016-11-15	1,223,056	190	671,887
Maanshan Huashan District Gaoshan Resettlement of Peasants Project	2010-05-01	2016-06-30	880,000	145,594	612,402
Heilongjiang, Qiqihaer, MCC, Binjiang International Town Project	2010-10-16	2016-10-15	1,617,820	1,329,312	573,169
Chongqing, Dadukou, MCC International City Project II	2011-12-01	2017-12-31	1,380,000	741,946	528,386
Hong Kong Quanwan Project	2013-12-06	2017-12-31	1,158,560	415,819	520,762
Hebei, Qinhuangdao, Yudaiwan Project	2008-12-23	2017-12-31	4,100,000	712,428	488,565
Singapore Yishun No. 7 Execute Public Apartment Project	2012-01-01	2016-09-30	1,953,961	1,746,697	472,892
Tangshan MCC Phoenix City (original name: Tanghai Boulevard Project)	2013-09-01	2016-12-31	600,000	281,661	422,481
Zhenjiang MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2011-06-03	2017-12-31	1,939,540	362,651	422,465
MCC: Riverside Project I&II	2013-12-31	2017-12-31	800,000	420,108	420,700
MCC Shanghe Residence Project	2014-06-20	2017-12-31	985,930	323,566	419,378
Hubei Huangshi City-MCC Huangshi Gardan Project II	2015-01-01	2018-12-31	1,351,899	410,837	360,661
Shanxi Taiyuan North Street Liuxi Gardan Project	2008-03-01	2017-12-31	1,302,263	299,249	345,629
MCC Southern International Community (original name: Wuhan MCC Southern Yunhushoufu Project I)	2014-01-01	2017-04-30	1,400,000	390,865	326,473
Shanghai Jinshan District - MCC Fengjunyuan Project II	2015-12-31	2017-12-31	517,955	265,843	293,070
Anshan, MCC, Yulanwan Project	2010-04-01	2018-12-30	2,400,000	231,408	282,548
MCC Tianrunjingyuan	2014-08-01	2017-12-31	1,125,100	184,866	243,601
Shenyang CB2013-5 Changbai West Road Northern Land	2015-05-01	2018-05-01	681,750	228,958	234,702
Maanshan, Zhongdingyue City Project	2011-09-08	2017-12-31	1,500,000	604,165	221,091
Maanshan, Jinfu Garden Security Housing Project II	2013-07-01	2016-12-31	1,120,000	167,107	213,797
Others	/	/	97,340,931	7,549,387	3,318,046
Total	/	/	188,735,804	47,229,938	44,084,325

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

(1) Categories (Continued)

(b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Project completion date	Opening balance	Increase	Decrease	Closing balance
Dalian International Business City (original name: Dalian MCC Blue City Project)	2014-12-31	1,026,468	139,463	263,141	902,790
Heilongjiang, Qiqihaer, MCC, Binjiang International Town Project I	2015-12-18	141,275	983,235	307,409	817,101
Maanshan, Zhongdingyue City Project	2015-12-31	327,655	527,077	239,958	614,774
Tangshan, Wutong Road Project	2012-10-31	558,553	5,264	42,911	520,906
Caofeidian Real Estate Building Project	2014-12-31	511,289	-	-	511,289
Shanghai Jinshan District - MCC Fengjunyuan Project I	2014-01-30	515,463	10,594	18,513	507,544
Shaoxing MCC Chinese Parasol Garden III	2015-06-30	-	458,271	36,036	422,235
Qin Hai Yun Villa Project	2014-10-31	395,139	-	-	395,139
Chongqing, Dadukou, MCC International City Project I	2015-10-07	27,664	416,751	67,968	376,447
Jilin Qingshanbishui Project	2013-12-31	408,742	5,546	44,024	370,264
New Phoenix City Yuhua Road South Project	2014-12-25	502,751	19,873	153,477	369,147
Beijing MCC Blue City Project	2014-12-20	124,783	751,561	529,960	346,384
Shaoxing MCC Chinese Parasol Garden II	2015-11-30	-	374,863	30,194	344,669
Heilongjiang, Qiqihaer, Longsha District New Century Plaza Project	2013-12-30	204,448	136,821	4,693	336,576
Anshan Yuluanwan Project II	2014-10-30	417,698	-	100,447	317,251
Chongqing, Bishan District, MCC Daishanyipin Project I	2015-09-10	66,207	425,232	188,851	302,588
Xi'an, MCC, Chang'an City Project I	2013-12-25	313,564	-	14,605	298,959
MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2012-12-31	339,648	-	42,071	297,577
Beijing Gold Fish Pool Project II	2009-01-04	292,563	-	1,969	290,594
Jiangsu Kunshan MCC Kunting Project	2014-04-30	214,709	121,988	51,991	284,706
Tangshan Gengyang New City Zone 1 Project II	2015-12-31	-	491,046	234,613	256,433
Chongqing MCC Chongqing Morning Project	2012-12-28	299,617	-	46,602	253,015
Guangxi Fangchenggang - MCC Xingganghua Mansion Project	2014-12-31	233,910	42,855	37,612	239,153
Wuhan Economic and Technological Development Zone - MCC Fengshuwan Project	2013-06-30	289,822	17,896	75,492	232,226
Sichuan Pi County World of Countryside Project	2013-05-18	354,361	7,615	136,934	225,042
Tangshan Heliangongfang District Rebuilding Project	2012-06-30	220,099	-	-	220,099
Others	/	2,920,813	5,706,087	6,095,436	2,531,464
Total	/	10,707,241	10,642,038	8,764,907	12,584,372

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

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

(3) As at 31 December 2015, the total borrowing costs capitalized in properties under development were RMB4,660,398,000 (as at 31 December 2014: RMB5,017,604,000). Borrowing costs capitalized during the year ended 31 December 2015 amounted to RMB2,177,776,000 (for the year ended 31 December 2014: RMB2,103,247,000). The capitalization rate of borrowing costs was 3.85% to 7.54% (for the year ended 31 December 2014: 5.54% to 7.34%).

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

All amounts in RMB'000

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

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Inventories (Continued)

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

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

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

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

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

11. Non-current assets due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long term receivables due within one year (Note VIII15)	7,054,781	4,867,780
Total	7,054,781	4,867,780

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Other current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Advance payment of taxes	229,319	187,588
Total	229,319	187,588

13. Available-for-sale financial assets

(1) Available-for-sale financial assets

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments:						
– Measured at fair value	480,449	–	480,449	450,109	–	450,109
– Measured at cost	1,192,997	93,294	1,099,703	1,145,160	88,727	1,056,433
Others	100,000	–	100,000	136,550	–	136,550
Total	1,773,446	93,294	1,680,152	1,731,819	88,727	1,643,092

(2) Available-for-sale financial assets measured at fair value at the end of the year

All amounts in RMB'000

Category	Available-for-sale equity instruments	Others	Total
Cost/carrying cost	110,097	100,000	210,097
Fair value	480,449	100,000	580,449
Cumulative fair value changes included in other comprehensive income	370,352	–	370,352
Accumulated impairment amount	–	–	–

The carrying amount of the available-for-sale equity instruments above has been adjusted based on their fair value at the balance sheet date. The fair value is determined by their closing quoted price provided by the stock exchanges at the last trading day of the reporting period.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Available-for-sale financial assets (Continued)

(3) Available-for-sale financial assets measured at cost at the end of the year

All amounts in RMB'000

Company name	Opening balance	Book value		Closing balance	Opening balance	Provision for impairment		Closing balance	Percentage of shareholding in the investee (%)	Cash dividends
		Increase	Decrease			Increase	Decrease			
Tangshan Stainless steel Co., Ltd. (Note IX3(1)(ii))	645,000	-	-	645,000	-	-	-	-	23.89	-
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	80,000	-	-	80,000	-	-	-	-	14.45	-
BERIS Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd. (Note IX3(1)(ii))	48,000	-	-	48,000	48,000	-	-	48,000	20.00	-
Harbin Shuangqi Environmental Resources Co., Ltd. (Note IX3(1)(ii))	48,000	-	-	48,000	-	-	-	-	20.00	-
Yunnan Panxing Real Estate Development Co., Ltd.	30,000	-	-	30,000	-	-	-	-	10.00	-
Great Wall Life Insurance Co., Ltd.	30,000	-	-	30,000	-	-	-	-	1.28	-
Jidong Cement Luanxian Co., Ltd.	29,705	-	-	29,705	-	-	-	-	6.74	4,544
Hankou Bank Co., Ltd.	27,696	-	-	27,696	-	-	-	-	0.74	6,600
Kunming Hai Chen Investment Co., Ltd.	-	22,500	-	22,500	-	-	-	-	15.00	-
Shanxi Sanjin Mining Holdings Co., Ltd. (Note IX3(1)(ii))	20,000	-	-	20,000	-	-	-	-	20.00	-
Others	186,759	25,500	163	212,096	40,727	4,730	163	45,294	/	14,875
Total	1,145,160	48,000	163	1,192,997	88,727	4,730	163	93,294	/	26,019

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Available-for-sale financial assets (Continued)

(4) Provision for impairment

All amounts in RMB'000

Category	Available-for-sale equity instruments	Total
Provision at the beginning of the year	88,727	88,727
Increase in the current year	4,730	4,730
Including: Impairment losses in the current year	4,730	4,730
Decrease in the current year	163	163
Including: Recovery because of the increase in fair value in the subsequent year	/	/
Provision at the end of the year	93,294	93,294

(5) During the current accounting period, the Group did not have any available-for-sale financial assets having significant or prolonged decline in fair value but no impairment provision was made.

14. Held-to-maturity investments

All amounts in RMB'000

Items	Book value	Closing balance		Opening balance		
		Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Treasury bonds	144	144	-	144	144	-
Other bonds	3,971	3,951	20	3,971	3,951	20
Total	4,115	4,095	20	4,115	4,095	20

15. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

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

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Long-term receivables (Continued)

(1) Long-term receivables (Continued)

- (a) In 2005, MCC Ramu NiCo Limited (“Ramu NiCo”), a 67.02% owned subsidiary of the Company, signed a contract with three companies (the “PNG Parties”) in Papua New Guinea (“PNG”) to jointly develop and operate Ramu Nickel Project (the “Project”). The principal business activities of the Project are mining and processing nickel and cobalt mineral resources in PNG. Before 2005, preliminary work such as exploration and feasibility assessment of the Project had been done by the PNG Parties and the Project was 100% owned by the PNG Parties. In 2005, Ramu NiCo signed the “Ramu Nickel Project Master Agreement” (the “Master Agreement”) with the PNG Parties and agreed to be responsible for the development and construction of the Project. According to the Master Agreement, after Ramu NiCo participated in the Project, the equity interests of the Project between Ramu NiCo and the PNG Parties was 85% and 15%. The PNG Parties could inform Ramu NiCo at anytime within 15 years after the Project entered into the phase of development and operation. From the informing date onward, under the premise of bearing the historical development costs of the Project that co-determined by Ramu NiCo and the PNG Parties, the PNG Parties could obtain 15% of the rights of the Project mineral products, and are responsible for bearing 15% of the Project operation costs incurred after they obtained their rights. Before the PNG Parties informed Ramu NiCo, Ramu NiCo bore all of the development and construction expenditures of the Project, assumed all liabilities and enjoyed 100% of the products produced by the Project. Either the PNG Parties finally paid off the historical development costs of the Project or at the 13th anniversary of the informing date, the PNG Parties are entitled to share additional 5% interests of the Project. Besides, after acquiring the above beneficial right to entitle 20% interests of the Project, the PNG Parties could choose to acquire further 15% interests of the Project at market fair price from Ramu NiCo.

As of 31 December 2014, as the PNG Parties had not notified Ramu NiCo for their intent to obtain the 15% beneficial interest in the Project, all of the assets, liabilities, revenues, costs and expenses of the Project were fully consolidated in the financial statements of the Group.

In 2015, the PNG Parties informed Ramu NiCo that they would acquire 15% beneficial interests in the Project, effective from 1 January 2015. The two parties agreed the historical project development costs borne by the PNG Parties would be USD190 million, which was accounted for as long-term receivables by the Group, and the construction costs of the Project reduced by the same amount correspondingly. This payment would be settled by the PNG Parties to the Group from a certain proportion of the future sales of the products of the Project by the PNG Parties. The outstanding long-term receivable from the PNG Parties by the Group is interest-bearing at a rate agreed by the PNG Parties and the Group. Meanwhile, the PNG Parties would bear 15% of the Project operation costs. As such, from 1 January 2015 onward, the proportion of the mineral products shared by Ramu NiCo would be reduced to 85%. The Group will enjoy 85% of the revenue and shared 85% of the operation costs of the Project accordingly. As at 31 December 2015, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1,230,000,000.

- (2) As at 31 December 2015, the Group had derecognized long-term receivables due to the transfer of the substantially all of the risk and rewards of ownership of these receivables to other parties were RMB8,422,562,000 (as at 31 December 2014: RMB5,024,000,000). The transfer for the current year did not incur any losses (for the year ended 31 December 2014: without incurring any losses).

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Long-term equity investments

All amounts in RMB'000

Company name	Opening balance net of provision	Movements during the current year							Closing balance net of provision	Impairment provision	
		Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current year			Others
1. Joint ventures											
Tianjin Zhongji Equipment Manufacture Co., Ltd.	396,160	-	-	(47,784)	-	-	-	-	-	348,376	-
Beijing New Century Hotel Co., Ltd. (Note IX1(1)(b))	206,811	-	-	1,491	-	-	(8,214)	-	-	200,088	-
Others	-	71,200	-	(606)	-	-	-	-	-	70,594	-
Subtotal	602,971	71,200	-	(46,899)	-	-	(8,214)	-	-	619,058	-
2. Associates											
Tianjin SERI Machinery Equipment Corporation Ltd.	708,858	-	-	11,357	-	-	-	-	-	720,215	-
CERI Yingkou Equipment Technology Co., Ltd.	810,119	-	-	(187,593)	-	-	-	-	-	622,526	-
Nanjing Ming's Culture Co., Ltd.	299,713	-	-	(602)	-	-	-	-	-	299,111	-
Tianjin Tuanbo Urban Development Co., Ltd.	203,281	-	-	20,296	-	-	(18,000)	-	-	205,577	-
Baotou MCC Real Estate Co., Ltd.	216,918	-	-	(14,409)	-	-	-	-	-	202,509	-
Zhongshan Finance Investment Holdings Co., Ltd.	-	200,000	-	643	-	-	-	-	-	200,643	-
WISDRI (Xinyu) Cold Processing Engineering Co., Ltd.	138,693	-	-	(11,145)	-	-	-	-	-	127,548	-
Tianjin MCC Xinhua Real Estate Co., Ltd.	133,422	-	-	(40,431)	-	-	-	-	-	92,991	-
Others	825,236	140,270	(133,938)	(4,409)	-	-	(2,312)	-	-	824,847	56,731
Subtotal	3,336,240	340,270	(133,938)	(226,293)	-	-	(20,312)	-	-	3,295,967	56,731
Total	3,939,211	411,470	(133,938)	(273,192)	-	-	(28,526)	-	-	3,915,025	56,731

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
I. Total original book value			
1. Opening balance	1,941,305	343,920	2,285,225
2. Increase	244,036	220,470	464,506
(1) Purchase	773	–	773
(2) Transferred from fixed assets/ intangible assets	92,313	220,470	312,783
(3) Others	150,950	–	150,950
3. Decrease	18,184	8,483	26,667
(1) Disposal	3,917	8,483	12,400
(2) Transferred to fixed assets	12,575	–	12,575
(3) Others	1,692	–	1,692
4. Closing balance	2,167,157	555,907	2,723,064
II. Total accumulated depreciation and amortization			
1. Opening balance	386,547	34,292	420,839
2. Increase	95,763	42,048	137,811
(1) Depreciation or amortization	52,058	13,237	65,295
(2) Transferred from fixed assets/ intangible assets	41,905	28,811	70,716
(3) Others	1,800	–	1,800
3. Decrease	2,615	3,247	5,862
(1) Disposal	1,186	1,693	2,879
(2) Transferred to fixed assets/ intangible assets	1,273	–	1,273
(3) Others	156	1,554	1,710
4. Closing balance	479,695	73,093	552,788
III. Total accumulated impairment provision			
1. Opening balance	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. Closing balance	–	–	–
IV. Total carrying amount			
1. Closing balance	1,687,462	482,814	2,170,276
2. Opening balance	1,554,758	309,628	1,864,386

(2) As at 31 December 2015, the Group did not have any properties and land use rights of which the title certificates were not obtained by the Group (as at 31 December 2014: Nil).

(3) Investment properties with title restriction as at 31 December 2015 are set out in Note VII66.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fixed assets

(1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
I. Total historical cost:					
1. Opening balance	20,248,790	22,029,301	2,467,491	2,962,383	47,707,965
2. Increase	830,515	1,523,975	131,757	248,422	2,734,669
(1) Purchase	137,256	393,318	117,019	88,486	736,079
(2) Transferred from investment properties	12,575	-	-	-	12,575
(3) Transferred from construction in progress	360,500	296,825	1,687	23,823	682,835
(4) Business combinations	71,157	322,591	661	433	394,842
(5) Others	249,027	511,241	12,390	135,680	908,338
3. Decrease	725,892	1,184,243	257,168	215,277	2,382,580
(1) Disposal or written-off	145,830	371,762	211,648	31,188	760,428
(2) Transferred to investment properties	92,313	-	-	-	92,313
(3) Transferred to construction in progress	36,769	151,378	-	-	188,147
(4) Others	450,980	661,103	45,520	184,089	1,341,692
4. Closing balance	20,353,413	22,369,033	2,342,080	2,995,528	48,060,054
II. Total accumulated depreciation					
1. Opening balance	4,012,445	7,940,926	1,424,328	883,088	14,260,787
2. Increase	857,347	1,641,988	212,524	235,812	2,947,671
(1) Depreciation	832,769	1,569,413	208,668	219,653	2,830,503
(2) Transferred from investment properties	1,273	-	-	-	1,273
(3) Others	23,305	72,575	3,856	16,159	115,895
3. Decrease	160,881	346,100	195,525	31,573	734,079
(1) Disposal or written-off	100,240	310,693	174,561	28,588	614,082
(2) Transferred to investment properties	41,905	-	-	-	41,905
(3) Transferred to construction in progress	1,870	2,188	-	-	4,058
(4) Others	16,866	33,219	20,964	2,985	74,034
4. Closing balance	4,708,911	9,236,814	1,441,327	1,087,327	16,474,379

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fixed assets (continued)

(1) Fixed assets (continued)

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
III. Total impairment provision					
1. Opening balance	112,092	450,938	7,476	1,925	572,431
2. Increase	262,569	470,841	20,668	108,558	862,636
(1) Provision	253,314	457,047	20,120	104,217	834,698
(2) Others	9,255	13,794	548	4,341	27,938
3. Decrease	281	1,810	1,519	–	3,610
(1) Disposal or written-off	281	1,810	1,519	–	3,610
4. Closing balance	374,380	919,969	26,625	110,483	1,431,457
IV. Total carrying amount of fixed assets					
1. Closing balance	15,270,122	12,212,250	874,128	1,797,718	30,154,218
2. Opening balance	16,124,253	13,637,437	1,035,687	2,077,370	32,874,747

(2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	69,905	58,149	–	11,756	Seasonal suspension or idle
Machinery and equipment	138,812	72,796	46,408	19,608	Seasonal suspension or idle
Other equipment	855	589	192	74	Seasonal suspension or idle

(3) Fixed assets under finance leases

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	290,644	46,935	–	243,709

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	67,376
Motor vehicles	47,756

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fixed assets (Continued)

(5) Fixed assets of which certificates of title have not been obtained

Buildings and structures with an aggregate carrying amount of RMB208,802,000 (historical cost: RMB255,925,000) as at 31 December 2015 (as at 31 December 2014: carrying amount of RMB965,440,000; historical cost of RMB1,058,482,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Manufacturing Base of Zhongyi Zhonggong	139,940	In the process
The office building of MCC Huaye Resources Development Company in Tianjin	51,937	In the process
The office building of MCC Huaye Resources Development Company in Beijing	16,925	In the process

(6) Fixed assets with title restriction as at 31 December 2015 are set out in Note VII66.

(7) The total depreciation of the Group's fixed assets amounted to RMB2,830,503,000 (for the year ended 31 December 2014: RMB2,918,311,000) for the current year, of which RMB1,930,700,000, RMB13,953,000 and RMB647,768,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (for the year ended 31 December 2014: RMB2,218,603,000, RMB14,707,000 and RMB593,328,000). The amount of depreciation of the Group's fixed assets which was not charged to profit or loss but capitalized as part of inventories amounted to RMB238,082,000 (for the year ended 31 December 2014: RMB91,673,000).

(8) The Group made impairment provision for fixed assets of RMB1,431,457,000 as at 31 December 2015 (as at 31 December 2014: RMB572,431,000).

(a) As the market price of poly-silicon remains low, certain items of fixed assets of China Silicon Corporation Ltd. ("China Silicon"), a subsidiary of the Company, have impairment indicators. The Group performed an impairment assessment on the production lines of China Silicon based on their estimated recoverable value. The recoverable value was estimated by calculating the present value of the estimated future cash flows based on the financial forecast approved by the management and a pre-tax discount rate of 15.76%. The estimated future cash flows were forecasted with reference to estimated production capacity, annual planned production volume, the forecast prices of poly-silicon, estimated production growth and gross margin and estimated years of operations. Based on the impairment assessment, the Group made an impairment provision for the fixed assets of China Silicon amounting to RMB50,391,000 for the year ended 31 December 2015 (for the year ended 31 December 2014: Nil). The accumulated impairment provision for the fixed assets of China Silicon amounted to RMB486,109,000 as at 31 December 2015. The fixed assets of China Silicon belong to the resource development segment.

(b) As the international market price of nickel and cobalt remained low, fixed assets of Ramu Nico Project Papua New Guinea, a subsidiary of the Company, had impairment indicator. As at 31 December 2015, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB9,869,572,000. The Group performed an impairment assessment on the related assets. The recoverable value was determined by calculating the present value of the estimated future cash flows generated by the assets based on the five-year financial forecast approved by the management and a pre-tax discount rate of 14.29%. The estimated future cash flows were forecasted with reference to the forecast prices of nickel and cobalt, estimated production capacity, annual planned production volume, expected revenue growth and gross margin and estimated years of operations, taking the exercise of the Papua New Guinea parties into consideration (Note VII15). Based on the impairment assessment, the Group made an impairment provision for the related fixed assets amounting to RMB656,184,000 for the year ended 31 December 2015 (for the year ended 31 December 2014: Nil). The related fixed assets belong to the resource development segment.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Fixed assets (Continued)

- (8) The Group made impairment provision for fixed assets of RMB1,431,457,000 as at 31 December 2015 (as at 31 December 2014: RMB572,431,000). (Continued)
- (c) MCC-Argentina Mining Co. Ltd, a subsidiary of MCC, operates Sierra Grande Iron Ore Project in Argentina (Sierra Grande Iron Ore Project). In 2015, the market price of the iron ore kept falling and had reached to the lowest point since 2008. Due to the price factors of the iron ore, Sierra Grande Iron Ore Project could not successfully complete the production plan and suffered a negative gross margin, therefore the related assets had impairment indicators. Based on the estimated future market price of iron ore and estimated future operation prospects of Sierra Grande Iron Ore Project, the Group made an impairment provision for the related fixed assets amounting to RMB124,450,000 for the year ended 31 December 2015 (for the year ended 31 December 2014: Nil). The related fixed assets belong to the resource development segment.
- (9) The other decreases of historical cost of fixed assets for the current year mainly due to the PNG Parties of Ramu NiCo Project exercised their rights, which is set out in Note VII15. The other increases of historical cost of fixed assets for the current year mainly due to changes of exchange rates.

19. Construction in progress

(1) Construction in progress

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	941,428	-	941,428	857,846	-	857,846
Zhanjiang steel environmental protection BOO project China ENFI Engineering Co., Ltd.	729,482	-	729,482	120,095	-	120,095
office building renovation	310,851	-	310,851	187,600	-	187,600
Duddar lead-zinc project	810,080	603,202	206,878	757,420	603,202	154,218
Project in transforming steel slag line into cement production line	185,246	-	185,246	-	-	-
Research and design center of Zhong Ye Chang Tian International Engineering Co., Ltd.	182,849	-	182,849	63,959	-	63,959
Southern building of MCC	108,644	-	108,644	25,940	-	25,940
Ultra high purified polysilicon energy conservation technological transformation project	78,707	-	78,707	20,915	-	20,915
CISDI R&D center in Chengdu	75,519	-	75,519	18,082	-	18,082
Junliang city base construction project	73,885	-	73,885	54,827	-	54,827
Others	693,414	7,988	685,426	776,732	-	776,732
Total	4,190,105	611,190	3,578,915	2,883,416	603,202	2,280,214

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Construction in progress (Continued)

(2) Movements of the significant items of construction in progress

All amounts in RMB'000

Items	Budgeted amount	Opening balance	Increase	Transfer to fixed assets	Other changes	Closing balance	Cost	Construction progress	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current year	Latest rate	Sources of fund
							incurred as a percentage of budgeted amount (%)				of borrowing costs capitalized for the current year (%)	
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	23,847,800	857,846	83,582	-	-	941,428	19.12	19.12	-	-	-	Self-raised funds
Zhanjiang steel environmental protection BOO project	1,243,000	120,095	609,387	-	-	729,482	58.69	58.69	14,120	14,120	5.60	Self-raised funds & loan from financial institutions
China ENFI Engineering Co., Ltd. office building renovation	680,000	187,600	123,251	-	-	310,851	45.71	45.71	15,227	12,753	6.38	Loan from financial institutions
Duddar lead-zinc project	1,070,448	757,420	52,660	-	-	810,080	75.68	75.68	5,484	5,484	5.00	Self-raised funds & loan from financial institutions
Project in transforming steel slag line into cement production line	188,832	-	185,246	-	-	185,246	98.10	98.10	-	-	-	Self-raised funds
Research and design center of Zhong Ye Chang Tian International Engineering Co., Ltd.	569,000	63,959	129,205	(10,315)	-	182,849	62.49	62.49	-	-	-	Self-raised funds
Southern building of MCC	220,000	25,940	82,704	-	-	108,644	51.00	51.00	-	-	-	Self-raised funds
Ultra high purified polysilicon energy conservation technological transformation project	516,900	20,915	62,480	(4,688)	-	78,707	15.25	15.25	-	-	-	Self-raised funds
CISDI R&D center in Chengdu	766,550	18,082	57,437	-	-	75,519	9.85	9.85	-	-	-	Self-raised funds
Junliang city base construction project	120,000	54,827	19,058	-	-	73,885	97.35	97.35	-	-	-	Self-raised funds
Others	24,430,412	776,732	665,109	(667,832)	(80,595)	693,414	/	/	4,118	351	/	/
Total	53,652,942	2,883,416	2,070,119	(682,835)	(80,595)	4,190,105	/	/	38,949	32,708	/	/

(3) The Group made an impairment provision for construction in progress amounting to RMB7,988,000 for the current year (for the year ended 31 December 2014: RMB164,115,000).

(a) During the year ended 31 December 2014, the Group started the implementation of technological transformation of Duddar Lead-Zinc Project. As Duddar Lead-Zinc Project had an impairment indicator, the Group performed an impairment assessment on the related assets based on their estimated recoverable value. Based on the result of the impairment assessment, the Group made an impairment provision for construction in progress amounting to RMB164,115,000 for the year ended 31 December 2014. As at 31 December 2015, the accumulated impairment provision amounted to RMB603,202,000.

As at 31 December 2015, based on the result of the re-assessment, there was no impairment provision for construction-in-progress.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Materials for construction of fixed assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Materials	25,408	10,337
Equipment	47,591	36,527
Tools and instruments prepared for production	673	732
Others	23	21
Total	73,695	47,617

21. Intangible assets

(1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	The right to use the franchise	Software	Patent and proprietary technology	Trademark right	Total
I. Total historical cost:							
1. Opening balance	7,071,059	3,996,966	7,235,133	428,208	47,492	270	18,779,128
2. Increase	136,037	118,971	514,852	36,131	3,394	-	809,385
(1) Purchase	84,171	45,173	452,729	34,629	3,009	-	619,711
(2) Internal research	-	-	-	174	-	-	174
(3) Business combinations	50,418	-	62,123	151	-	-	112,692
(4) Others	1,448	73,798	-	1,177	385	-	76,808
3. Decrease	298,149	154,772	6,670	993	2,867	-	463,451
(1) Disposal	47,188	5,719	2,708	4	-	-	55,619
(2) Transferred to investment properties	220,470	-	-	-	-	-	220,470
(3) Others	30,491	149,053	3,962	989	2,867	-	187,362
4. Closing balance	6,908,947	3,961,165	7,743,315	463,346	48,019	270	19,125,062

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Intangible assets (Continued)

(1) Intangible assets (Continued)

All amounts in RMB'000

Items	Land use rights	Mining rights	The right to use the franchise	Software	Patent and proprietary technology	Trademark right	Total
II. Total accumulated amortization							
1. Opening balance	927,954	91,322	522,994	254,328	35,705	270	1,832,573
2. Increase	145,353	9,515	139,231	51,077	2,374	-	347,550
(1) Amortization	145,018	9,515	139,231	50,806	2,374	-	346,944
(2) Others	335	-	-	271	-	-	606
3. Decrease	39,417	4,786	2,098	1,352	2,867	-	50,520
(1) Disposal	6,077	4,786	2,092	2	-	-	12,957
(2) Transferred to investment properties	28,811	-	-	-	-	-	28,811
(3) Others	4,529	-	6	1,350	2,867	-	8,752
4. Closing balance	1,033,890	96,051	660,127	304,053	35,212	270	2,129,603
III. Total impairment provision							
1. Opening balance	-	1,978,995	-	-	-	-	1,978,995
2. Increase	29,575	569,302	-	16	-	-	598,893
(1) Provision	29,575	569,302	-	16	-	-	598,893
3. Decrease	-	109,775	-	-	-	-	109,775
(1) Others	-	109,775	-	-	-	-	109,775
4. Closing balance	29,575	2,438,522	-	16	-	-	2,468,113
IV. Carrying amount of intangible assets							
1. Closing balance	5,845,482	1,426,592	7,083,188	159,277	12,807	-	14,527,346
2. Opening balance	6,143,105	1,926,649	6,712,139	173,880	11,787	-	14,967,560

As at 31 December 2015, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.03% (as at 31 December 2014: 0.03%).

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Intangible assets (Continued)

(2) As the Cape Lambert Iron Project owned by MCC Australia Holding Pty Ltd. ("MCCAH", a wholly owned subsidiary of the Company) had an impairment indicator, from 2012 to 2014, the estimated recoverable value of assets of the Cape Lambert Iron Project ("the Cape Lambert Assets") was determined by a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Ltd., an independent valuer. Based on the impairment assessment, as at 31 December 2014, the Group made an accumulated impairment provision for the Cape Lambert Assets amounting to RMB1,978,995,000, including the accumulated impact on exchange fluctuation of Australian dollars of RMB494,186,000.

As at 31 December 2015, the Group further engaged Jones Lang LaSalle Corporate Appraisal and Advisory Ltd. to reassess the project progress and other major factors which may affect the impairment assessment. Based on the result of this impairment assessment and the consideration on future business plan of Cape Lambert Iron Project by the Company's management, the Group made an impairment provision amounting to RMB562,031,000 for the current year (2014: RMB176,973,000). As at 31 December 2015, the Group made an accumulated impairment provision for the Cape Lambert Assets amounting to RMB2,431,251,000, including to the accumulated impact on exchange fluctuation of Australian dollars of RMB603,901,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 31 December 2015 are set out in Note VII66.

22. Goodwill

(1) Original historical amount

All amounts in RMB'000

Company name	Opening balance	Increase		Decrease		Closing balance
		Business combinations	Others	Disposal	Others	
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	-	-	-	-	170,886
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A.	96,560	-	-	-	26,567	69,993
Chengde Tiangong Architectural Design Co., Ltd.	33,460	-	-	-	-	33,460
China Metallurgical Construction Engineering Group						
Chongqing Heyuan Concrete Co., Ltd.	18,533	-	-	-	-	18,533
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,779	-	-	-	-	9,779
Shanghai SanGang Transport Handling Co., Ltd.	9,676	-	-	-	-	9,676
Ningcheng County HongDa Mining Co., Ltd.	7,187	-	-	-	-	7,187
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Beijing Tianrun Construction Co., Ltd.	5,142	-	-	-	-	5,142
Shanghai WuGang Equipment Engineering Co., Ltd.	1,114	-	-	-	-	1,114
Wuhan Huaxia Jingchong Technology Co., Ltd.	837	-	-	-	-	837
Shanghai YiGang Electrical Co., Ltd.	448	-	-	-	-	448
Total	571,884	-	-	-	26,567	545,317

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

22. Goodwill (Continued)

(2) Impairment provision

All amounts in RMB'000

Company name or matters resulting in goodwill	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Disposal	Others	
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	-	-	-	-	170,886
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	-	69,993	-	-	-	69,993
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Shanghai SanGang Transport Handling Co., Ltd.	9,676	-	-	-	-	9,676
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	7,644	155	-	-	-	7,799
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Total	301,436	70,148	-	-	-	371,584

The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33% (as at 31 December 2014: 17.33%). Cash flow projections during the forecast period for the asset groups are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development.

As at 31 December 2015, management of the Group made full provision for impairment of goodwill in connection with the acquisition of MCC Minera Sierra Grande S.A, which is set out in Note VII 18(8)(c). Goodwill in connection with the acquisition of MCC Minera Sierra Grande S.A decreased by RMB26,567,000 is due to the change of the exchange rate between Argentina Peso and RMB.

23. Long-term prepayments

All amounts in RMB'000

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Improvements of operating lease					
of fixed assets	28,594	11,185	12,745	-	27,034
Insurance expenditures	10,743	18,352	7,071	87	21,937
Rental expenditures	43,316	2,280	7,678	-	37,918
Repair expenditures	9,170	7,491	3,476	-	13,185
Others	75,944	67,234	37,371	1,176	104,631
Total	167,767	106,542	68,341	1,263	204,705

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Deductible temporary differences/tax losses	Deferred tax assets	Deductible temporary differences/tax losses	Deferred tax assets
Impairment provision	13,231,727	2,582,870	10,506,613	2,104,036
Unrealized profit on inter-company transactions	1,294,257	276,138	1,229,966	262,874
Defined benefit plans	1,718,718	407,265	1,810,629	415,799
Deductible tax losses	834,614	191,262	641,128	151,646
Employee benefits payable	565,033	118,996	631,730	140,115
Changes in the fair value of available-for-sale financial assets	2,356	589	44	11
Others	1,041,527	217,403	1,302,474	279,541
Total	18,688,232	3,794,523	16,122,584	3,354,022

(2) Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	137,424	44,830	193,476	64,320
Changes in the fair value of available-for-sale financial assets	372,556	92,496	341,467	85,367
Others	1,002,690	249,082	1,497,806	370,082
Total	1,512,670	386,408	2,032,749	519,769

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Deferred tax assets and deferred tax liabilities (Continued)

(3) Deferred tax assets and deferred tax liabilities presented on a net basis after offsetting

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the year	Deferred tax assets or liabilities after offset at the end of the year	The offset amount of deferred tax assets and liabilities at the beginning of the year	Deferred tax assets or liabilities after offset at the beginning of the year
Deferred tax assets	61,103	3,733,420	37,896	3,316,126
Deferred tax liabilities	61,103	325,305	37,896	481,873

(4) Details of the Group's unrecognized deferred tax assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deductible temporary differences	4,290,281	6,778,885
Deductible tax losses	22,009,153	20,436,884
Total	26,299,434	27,215,769

(5) Deductible tax losses that are not recognized as deferred tax assets will expire in the following years

All amounts in RMB'000

Year	Closing balance	Opening balance
2015	–	1,034,556
2016	3,203,511	3,626,636
2017	7,419,018	7,441,647
2018	4,914,301	4,984,160
2019	3,145,673	3,349,885
2020	3,326,650	–
Total	22,009,153	20,436,884

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. Other non-current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deposits for acquisition of assets	110,000	98,342
Others	—	39,100
Total	110,000	137,442

26. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledged loans (a)	524,120	400,000
Mortgaged loans (b)	250,500	208,000
Guaranteed loans (c)	324,680	50,000
Credit loans	35,698,852	35,803,263
Total	36,798,152	36,461,263

(a) Pledged loans

As at 31 December 2015, borrowings of RMB524,120,000 (as at 31 December 2014: RMB400,000,000) were secured by the pledge of the Group's accounts receivable in an aggregate amount of RMB524,120,000 (as at 31 December 2014: RMB468,352,000).

(b) Mortgaged loans

As at 31 December 2015, borrowings of RMB250,500,000 (as at 31 December 2014: RMB208,000,000) were secured by the mortgage of the Group's intangible assets, fixed assets and investment properties in an aggregate amount of RMB684,948,000 (as at 31 December 2014: RMB249,756,000).

(c) Guaranteed loans

As at 31 December 2015, borrowings of RMB324,680,000 were guaranteed by CMGC (as at 31 December 2014: RMB50,000,000 were guaranteed by independent third parties).

- (2) As at 31 December 2015, the weighted average interest rate of short-term borrowings was 5.46% per annum (as at 31 December 2014: 6.14% per annum).

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Derivative financial liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Forward exchange contracts	14,339	–
Total	14,339	–

The basis of fair values determined on derivative financial liabilities are set out in Note XIII.

28. Bills payable

All amounts in RMB'000

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

29. Accounts payable

(1) Accounts payable

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Accounts payable (Continued)

(2) Aging analysis of accounts payable

All amounts in RMB'000

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

(3) Significant accounts payable aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	293,169	Projects not yet settled
Party 2	Third Party	143,100	
Party 3	Third Party	111,796	
Party 4	Third Party	106,236	
Party 5	Third Party	101,970	
Total	/	756,271	/

30. Receipts in advance

(1) Receipts in advance

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Receipts in advance (Continued)

(2) Significant receipts in advance aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	461,525	Projects not yet settled
Party 2	Third Party	416,902	
Party 3	Third Party	272,439	
Party 4	Third Party	220,000	
Party 5	Third Party	209,000	
Total	/	<u>1,579,866</u>	/

(3) Gross amounts due to contract customers of construction contracts as at 31 December 2015

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	224,315,238
Recognized profits to date	20,354,417
Less: Estimated loss	23,020
Accumulated settlement	256,799,732
Gross amounts due to contract customers	<u>(12,153,097)</u>

31. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	1,761,544	14,588,638	14,531,351	1,818,831
II. Post-employment benefits -defined contribution plan	182,811	2,598,072	2,582,151	198,732
III. Termination benefits	20,596	56,656	54,357	22,895
IV. Other benefits	22,820	145,566	147,682	20,704
Total	<u>1,987,771</u>	<u>17,388,932</u>	<u>17,315,541</u>	<u>2,061,162</u>

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Employee benefits payable (Continued)

(2) Short-term employee benefits

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Salaries, bonuses, allowances and subsidies	1,001,685	11,633,807	11,617,044	1,018,448
II. Staff welfare	2,851	347,438	346,514	3,775
III. Social insurance premiums	53,281	1,002,175	1,021,357	34,099
Including: Medical insurance	52,103	881,900	902,315	31,688
Work-related injury insurance	849	64,700	63,572	1,977
Maternity insurance	329	55,575	55,470	434
IV. Housing provident funds	135,086	1,334,664	1,323,227	146,523
V. Labor union expenditures and employees' education expenses	568,641	270,554	223,209	615,986
Total	<u>1,761,544</u>	<u>14,588,638</u>	<u>14,531,351</u>	<u>1,818,831</u>

(3) Defined contribution plan

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	126,764	2,027,696	2,028,472	125,988
2. Unemployment insurance	7,288	138,539	138,870	6,957
3. Supplementary pension	48,759	431,837	414,809	65,787
Total	<u>182,811</u>	<u>2,598,072</u>	<u>2,582,151</u>	<u>198,732</u>

The Group participated in the social insurance premiums plans set up by the government according to the regulations. According to the plan, the Group makes deposits into the plans according to the regulations. Other than the deposits mentioned above, the Group does not need to make any further payments. The corresponding expenses shall be charged to the profit or loss in the period as and when incurred.

The Group made deposits amounting to RMB2,598,072,000 (for the year ended 31 December 2014: RMB2,502,873,000) to the defined contribution plan for the current year. As at 31 December 2015, there was an overdue payable amount of RMB198,732,000 (as at 31 December 2014: RMB182,811,000) to the plans.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

32. Taxes payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Value added tax	(297,753)	(105,897)
Consumption tax	2,755	4,630
Business tax	4,052,946	3,970,374
Enterprise income tax	1,498,931	1,500,634
Individual income tax	372,045	358,693
City maintenance and construction tax	322,098	309,275
Education surcharges	215,457	210,520
Land appreciation tax	(285,660)	(54,663)
Others	177,022	205,900
Total	6,057,841	6,399,466

33. Interest payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interest payables on long-term borrowings	144,979	128,968
Interest payables on corporate bonds	415,063	626,069
Interest payables on short-term borrowings	152,907	164,073
Others	39,171	51,479
Total	752,120	970,589

As at 31 December 2015, the Group did not have any significant overdue interest.

34. Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Dividend declared on perpetual bonds classified as equity instrument (Note VII51(c))	170,010	–
Other dividends	621,048	504,931
Total	791,058	504,931

Dividends aged over one year but not settled yet is RMB466,756,000, relevant subsidiaries are negotiating with the relevant shareholders for the settlement plan.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Guarantees and deposits payable	9,756,335	9,060,477
Rental payable	282,112	307,780
Utilities payable	360,265	229,239
Repair and maintenance payable	266,398	249,905
Payables for land use rights	9,413	104,268
Others	5,619,927	5,936,829
Total	16,294,450	15,888,498

(2) Significant other payables aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	2,530,000	The settlement dates were not yet due
Party 2	Third Party	235,869	
Party 3	Third Party	194,070	
Party 4	Third Party	135,128	
Party 5	Third Party	66,547	
Total	/	3,161,614	/

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note VII38)	9,429,394	6,620,469
Bonds payable due within one year (Note VII39)	3,259,437	4,722,403
Long-term payables due within one year (Note VII40)	261,926	98,206
Long-term employee benefits payable due within one year (Note VII41)	445,845	434,424
Special payables due within one year (Note VII42)	230	–
Long-term provisions due within one year (Note VII43)	–	466
Total	13,396,832	11,875,968

37. Other current liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Short term bonds (a)	20,000,000	19,900,000
Deferred income to be released to income statement within one year (Note VII44)	113,097	66,195
Total	20,113,097	19,966,195

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Other current liabilities (Continued)

(a) Movements of the short term bonds

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	Opening balance	Issued in the current year	Accrued interests at face value	Premium and discount amortization	Repaid in the current year	Closing balance
Short-term Debentures	4,000,000	2014-07-17	365	4,000,000	4,000,000	-	122,077	-	4,000,000	-
Short-term Debentures	3,900,000	2014-08-13	365	3,900,000	3,900,000	-	122,609	-	3,900,000	-
Short-term Debentures (i)	4,000,000	2015-09-21	366	4,000,000	-	4,000,000	39,016	-	-	4,000,000
Short-term Debentures (ii)	4,000,000	2015-11-11	366	4,000,000	-	4,000,000	19,278	-	-	4,000,000
Extra Short-term Debentures	3,000,000	2014-07-14	270	3,000,000	3,000,000	-	41,095	-	3,000,000	-
Extra Short-term Debentures	3,000,000	2014-09-17	270	3,000,000	3,000,000	-	67,808	-	3,000,000	-
Extra Short-term Debentures	3,000,000	2014-10-27	180	3,000,000	3,000,000	-	41,967	-	3,000,000	-
Extra Short-term Debentures	3,000,000	2014-11-19	180	3,000,000	3,000,000	-	49,339	-	3,000,000	-
Extra Short-term Debentures	3,000,000	2015-04-07	180	3,000,000	-	3,000,000	73,972	-	3,000,000	-
Extra Short-term Debentures	3,000,000	2015-04-22	240	3,000,000	-	3,000,000	84,821	-	3,000,000	-
Extra Short-term Debentures (iii)	3,000,000	2015-05-11	270	3,000,000	-	3,000,000	74,803	-	-	3,000,000
Extra Short-term Debentures (iv)	4,000,000	2015-08-10	270	4,000,000	-	4,000,000	49,661	-	-	4,000,000
Extra Short-term Debentures (v)	2,000,000	2015-09-15	270	2,000,000	-	2,000,000	20,464	-	-	2,000,000
Extra Short-term Debentures (vi)	3,000,000	2015-10-27	270	3,000,000	-	3,000,000	17,049	-	-	3,000,000
Total	45,900,000	/	/	45,900,000	19,900,000	26,000,000	823,959	-	25,900,000	20,000,000

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Other current liabilities (Continued)

(a) Movements of the short term bonds (Continued)

- (i) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2015]CP282) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-term Debentures on 21 September 2015 at face value of RMB4,000 million, with a term of 366 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.57% per annum. Principal and interests are paid upon maturity date.
- (ii) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2015]CP281) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Short-term Debentures on 11 November 2015 at face value of RMB4,000 million, with a term of 366 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.60% per annum. Principal and interests are paid upon maturity date.
- (iii) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2014]SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche III Extra Short-term Debentures on 11 May 2015 at face value of RMB3,000 million, with a term of 270 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.90% per annum. Principal and interests are paid upon maturity date.
- (iv) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2014]SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche IV Extra Short-term Debentures on 10 August 2015 at face value of RMB4,000 million, with a term of 270 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.20% per annum. Principal and interests are paid upon maturity date.
- (v) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2014]SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche V Extra Short-term Debentures on 15 September 2015 at face value of RMB2,000 million, with a term of 270 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.50% per annum. Principal and interests are paid upon maturity date.
- (vi) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2014]SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche VI Extra Short-term Debentures on 27 October 2015 at face value of RMB3,000 million, with a term of 270 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.25% per annum. Principal and interests are paid upon maturity date.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledge loans (a)	846,138	609,671
Mortgage loans (b)	6,841,177	6,613,272
Credit loans	21,002,010	20,727,410
Total	28,689,325	27,950,353
Less: Long-term borrowings due within one year (Note VII36):	9,429,394	6,620,469
Including: Pledge loans	596,812	38,557
Mortgage loans	494,451	480,316
Credit loans	8,338,131	6,101,596
Long-term borrowings due over one year	19,259,931	21,329,884

(a) Pledge loans

As at 31 December 2015, borrowings of RMB846,138,000 (as at 31 December 2014: RMB609,671,000) were secured by the pledge of the Group's accounts receivable in amount of RMB1,096,138,000 (as at 31 December 2014: RMB830,000,000).

(b) Mortgage loans

As at 31 December 2015, borrowings of RMB6,841,177,000 (as at 31 December 2014: RMB6,613,272,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB10,550,114,000 (as at 31 December 2014: RMB9,445,993,000).

(2) Analysis of the maturity profile of long-term borrowings due over one year

All amounts in RMB'000

Maturity Date	Closing balance	Opening balance
1 to 2 years	6,684,505	7,817,612
2 to 5 years	8,635,119	8,816,342
Over 5 years	3,940,307	4,695,930
Total	19,259,931	21,329,884

(3) As at 31 December 2015, the weighted average interest rate of long-term borrowings was 5.07% per annum (as at 31 December 2014: 6.09% per annum).

(4) As at 31 December 2015, the Group did not have any significant overdue long-term borrowings.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Corporate debentures	3,204,000	2,704,000
Corporate medium-term notes	–	14,923,242
USD debentures	9,656,167	9,041,084
SGD debentures	1,371,756	–
Total	14,231,923	26,668,326
Including: Bonds payable due within one year (Note VII 36)	3,259,437	4,722,403
Bonds payable due over one year	10,972,486	21,945,923

(2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	Opening balance	Issued in the current year	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current year	Closing balance
Corporate Debentures (a)	3,500,000	2008-07-23	10 years	3,500,000	2,704,000	–	167,235	–	–	–	2,704,000
Corporate Medium-term Notes	10,000,000	2010-09-19	10 years	9,971,110	10,200,839	–	283,534	–	(200,839)	10,000,000	–
Corporate Medium-term Notes	4,700,000	2010-11-15	5 years	4,686,400	4,722,403	–	195,572	–	(22,403)	4,700,000	–
USD debentures (b)	3,322,100	2011-07-29	5 years	3,188,432	3,064,304	–	181,230	187,593	7,540	–	3,259,437
USD debentures (c)	3,076,850	2014-06-16	3 years	2,953,930	2,954,950	–	97,357	180,900	43,432	–	3,179,282
USD debentures (d)	3,081,900	2014-08-28	3 years	3,050,434	3,021,830	–	103,367	184,994	10,624	–	3,217,448
Corporate Debentures – SGD (e)	1,367,400	2015-05-21	2 years	1,361,151	–	1,361,151	23,683	8,810	1,795	–	1,371,756
Corporate Debentures (f)	500,000	2015-12-24	5 years	500,000	–	500,000	486	–	–	–	500,000
Total	29,548,250	/	/	29,211,457	26,668,326	1,861,151	1,052,464	562,297	(159,851)	14,700,000	14,231,923

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Bonds payable (Continued)

(2) Movements of bonds payable (Continued)

- (a) As approved by the National Development and Reform Commission, the Company issued corporate debentures in July 2008 at face value of RMB3,500,000,000, with a term of ten years from issuance and interest rate of 6.10% per annum. The Company has the right to increase the coupon rate by 0 to 100 basis points at the end of the fifth year for the duration of the corporate debentures. Investors shall be entitled to be registered according to the implementation of bonds sold back measures of the registration period, either sell back all or part of the bonds to the company or keep holding the bonds. On 24 July 2013, the Company redeemed bonds amounting to RMB796,000,000 from the bondholders.
- (b) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 29 July 2011 at a discounted price of USD497,025,000 with a face value of USD500,000,000, a term of five years from issuance. The debentures bear interests at a fixed rate of 4.875% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the holding company of the Company, China Metallurgical Group Corporation.
- (c) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 16 June 2014 at a discounted price of USD480,025,000, with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.625% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the Bank of China, London Branch.
- (d) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 28 August 2014 at a discounted price of USD494,895,000, with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.500% per annum. Interest will be paid every quarter and principal will be paid upon maturity date. The debentures are guaranteed by headquarter of Agricultural Bank of China.
- (e) Central Research Institute of Building and Construction Co., Ltd., MCC Group issued SGD debentures on 21 May 2015 at a discounted price of SGD299,709,000 with a face value of SGD300,000,000, a term of two years from issuance. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and the principal will be paid upon maturity date of the debentures. The debentures are guaranteed by the holding company of the Company, China Metallurgical Group Corporation.
- (f) MCC Real Estate Group Co., Ltd. issued private corporate debentures on 24 December 2015 at face value of RMB500,000,000, with a term of five years from issuance and interest rate of 5% per annum. The issuer has the right to adjust the interest rate while the bond holders can exercise their sold back rights at the end of each year for the duration of the private corporate debentures.

40. Long-term payables

(1) Long-term payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Finance lease payables	710,812	482,876
Housing maintenance fee payables	42,223	50,362
Funds payable	215	215
Others	400,913	429,571
Total	1,154,163	963,024
Including: Long-term payables due within one year (Note VII36)	261,926	98,206
Long-term payables due over one year	892,237	864,818

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Long-term payables (Continued)

(2) Analysis of the maturity profile of long-term payables due over one year

All amounts in RMB'000

Maturity Date	Closing balance	Opening balance
1 to 2 years	579,161	165,861
2 to 5 years	293,260	680,292
Over 5 years	19,816	18,665
	892,237	864,818

(3) Details of finance lease payables

All amounts in RMB'000

	Closing balance	Opening balance
The first year after balance sheet	218,342	134,400
The second year after balance sheet	286,748	144,800
The third year after balance sheet	258,004	137,600
Subsequent years	80,531	187,000
Minimum lease payments	843,625	603,800
Less: Unrecognized finance costs	132,813	120,924
Finance lease payables	710,812	482,876
Including: Amount due for settlement within one year	182,782	89,820
Amount due for settlement after one year	528,030	393,056
	528,030	393,056

41. Long-term employee benefits payable

(1) Long-term employee benefits payable

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Post-employment benefits -Net liability arising from defined benefit plan	4,428,459	4,379,117
Total	4,428,459	4,379,117
Including: Long-term employee benefits payable due within one year (Note VII36)	445,845	434,424
Long-term employee benefits payable due over one year	3,982,614	3,944,693
	3,982,614	3,944,693

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Long-term employee benefits payable (Continued)

(1) Long-term employee benefits payable (Continued)

(a) Movements in the defined benefit plan

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Opening balance	4,379,117	4,566,826
II. Defined benefit costs recognized in profit or loss	139,208	210,320
1. Past service cost	(880)	24,553
2. Net interest expense	140,088	185,767
III. Defined benefit costs recognized in other comprehensive income	418,332	148,047
1. Actuarial losses (gains)	418,332	148,047
IV. Other movements	(508,198)	(546,076)
1. Benefits paid	(508,198)	(546,076)
V. Closing balance	4,428,459	4,379,117

(2) Details of the defined benefit plan and its corresponding risk, effect on further cash flows, maturity and uncertainty of the Group

(a) Defined benefit plan was for the staff retired before 31 December 2007. The retirement benefits received are depended on the retirement position, seniority and salary of the staff etc. The Group's supplementary-retirement benefits obligation at the balance sheet date was calculated by an external independent actuary "Towers Watson" using projected unit credit actuarial cost method.

(b) The Group weighted average period of the present value for supplementary-retirement benefits obligation is 7 years.

(c) Expected maturity analysis of undiscounted post-employment benefits:

All amounts in RMB'000

	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Post-employment benefits	452,482	410,013	999,515	3,220,809	5,082,819

(d) Defined benefits plan exposes the Group in various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The increase of the life expectancy will increase the defined benefit plan obligations.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Long-term employee benefits payable (Continued)

(3) The principal assumptions used for the purposes of the actuarial valuations and sensitivity analyses

(a) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	2015.12.31	2014.12.31
Discount rate	2.90%	3.60%
Mortality rate	CLA 2000-03 up 2	CLA 2000-03 up 2
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

(b) The sensitivity analysis of the major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group were as follows:

	Assumed changes	Impact on present value of the defined benefit obligations	
		Assumed increase	Assumed decrease
Discount rate	0.25%	Decrease by 1.90%	Increase by 1.80%
Annual growth rate of living cost for retirement staff and survivors	1.00%	Increase by 1.50%	Decrease by 1.20%
Annual growth rate of employee medical expense reimbursement	1.00%	Increase by 2.30%	Decrease by 1.90%

The sensitivity analysis above was prepared based on the change of one assumption but all other variables were held constant. However, the assumptions above are usually inter-related. The calculation of the present value of the defined benefit obligation in the sensitivity analysis above is also adopted the projected unit credit actuarial cost method.

Method and type of significant assumptions used in the sensitivity analysis for the current year remained unchanged comparing with the previous year.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Special payables

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Housing allowance payables	607	–	–	607
Special housing maintenance fee payables	43	351	347	47
Special demolition compensation payables	14,500	–	6,793	7,707
Others	7,351	1,130	1,631	6,850
Total	22,501	1,481	8,771	15,211
Including: Special payables due within one year (Note VII36)	–	/	/	230
Special payables due over one year	22,501	/	/	14,981

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Provisions

All amounts in RMB'000

Items	Closing balance	Opening balance	Reasons
Pending litigations	16,650	50,284	Because of the verdict of losing a lawsuit, the group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	672	252	Because of the sales contract, the group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	184,154	136,806	Because of the resource development contract, the group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Others	31,168	21,278	Others.
Total	<u>232,644</u>	<u>208,620</u>	/
Including: Provision due within one year (Note VI36)	-	466	/
Provision due over one year	<u>232,644</u>	<u>208,154</u>	/

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Deferred income

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants (a)	1,432,842	180,466	287,489	1,325,819	The government grants related to assets mainly including the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly including research subsidies.
Others	<u>186,193</u>	<u>78,958</u>	<u>24,900</u>	<u>240,251</u>	Others
Total	<u><u>1,619,035</u></u>	<u><u>259,424</u></u>	<u><u>312,389</u></u>	<u><u>1,566,070</u></u>	/
Including: Deferred income to be released to profit and loss within one year (Note VI137)	66,195	/	/	113,097	/
Deferred income to be released to profit and loss over one year	<u><u>1,552,840</u></u>	<u><u>/</u></u>	<u><u>/</u></u>	<u><u>1,452,973</u></u>	/

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Deferred income (Continued)

(a) Deferred income relating to government grants

All amounts in RMB'000

Government grants	Opening balance	Increased in the current year	Recognized in non-operating income in the current year	Other decreases	Closing balance	Related to assets or incomes
Subsidy for rural reconstruction in Chongqing Dadukou district	182,120	–	5,313	–	176,807	Related to assets
The return of land leasing in Chongqing Dadukou district	110,165	–	2,862	–	107,303	Related to assets
Allowance from the bureau of finance	73,600	–	3,200	–	70,400	Related to assets
R&D of technology and equipment of large gas purification (large-scaling of gas purification facilities)	72,528	–	5,153	–	67,375	Related to assets
NDRC (Large-scale industry base construction of multiform stamp forgings)	58,500	–	7	–	58,493	Related to assets
Subsidy for redevelopment project in Chongqing Jiulongpo district	60,779	–	2,336	–	58,443	Related to assets
Financial support for the new industrial park	62,928	–	7,334	–	55,594	Related to assets
Shuangbei tunnel state-owned land on the housing levy project	46,473	6,000	–	–	52,473	Related to assets
NDRC, MIIT (2013 second central budget allocations about Industrial revitalization and technological transformation projects)	50,250	–	–	–	50,250	Related to assets
Large-scale multiple stamp work heavy equipment independent industrial base	20,000	–	–	–	20,000	Related to assets
Others	695,499	174,466	226,542	34,742	608,681	Related to assets or incomes
Total	1,432,842	180,466	252,747	34,742	1,325,819	/

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Share capital

All amounts in RMB'000

	Opening balance	Issue of new shares	Movements during the current year			Subtotal	Closing balance
			Bonus issue	Shares converted from capital reserve	Others		
Total shares	19,110,000	-	-	-	-	-	19,110,000

CMGC agreed to keep locking-up the 12,265,108,500 shares of the Company which were lifted on 21 September 2012 for another three years (i.e. from 21 September 2012 to 20 September 2015) voluntarily. During the new lock-up period, if the number of shares of the Company held by CMGC changes, such as capital reserve converting to share capital, distributing share dividends, right issue and new issue of shares etc., the number of the lock-up shares will be adjusted accordingly.

CMGC made a commitment on 8 July 2015, that from 8 July 2015 to 31 December 2015, CMGC will not reduce its shares which can be sold in the same period. As at the end of date of the reporting period, CMGC had not reduced its shares, and the lock-up periods had expired.

46. Other equity instruments

(1) The basic information of the perpetual bond or other financial instruments in issue at the end of the year

By the approval of the National Association of Financial Market Institutional Investors, the Company issued three tranches of medium term notes of 2015. Details of the issuance are as follows:

Tranches	First tranche of 2015	Second tranche of 2015	Third tranche of 2015
Approval document number	Zhongshixiezhuzhu [2015] MTN164	Zhongshixiezhuzhu [2015] MTN677	Zhongshixiezhuzhu [2015] MTN681
Issue date	1 June 2015	22 December 2015	24 December 2015
Issue amount	RMB5,000,000,000	RMB2,500,000,000	RMB2,500,000,000
Term	The notes are on a long-term basis until redemption by the Company according to the issuance provisions.		
Redemption rights	On or after the fifth interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).	On or after the third interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).	On or after the third interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).
Interest rate	The coupon is 5.70% for the first five interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every five years from the sixth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.	The coupon is 4.38% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.	The coupon is 4.33% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Other equity instruments (Continued)

(1) The basic information of the perpetual bond or other financial instruments in issue at the end of the year (Continued)

Unless mandatory interest payment event happens, at each of the interest payment date of medium-term notes, the Company can choose to have the current interest and all the deferred interest to be paid at the next interest payment date, which is not subject to any restrictions on the number of deferred interest payments. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the contract. Each piece of deferred interest is interest bearing at the coupon rate of the medium-term notes during the interest deferral period.

Within 12 months before the interest payment day, if the following events occur, the interest payments, both current and deferred, cannot be deferred by Company:

- (i) Dividend declared to the holders of ordinary shares;
- (ii) Any form of payment to the securities which are subordinated to the payment order of the medium-term notes;
- (iii) Reduction of registered capital.

(2) Movements of the perpetual bond or other financial instrument in issue

All amounts in RMB'000

Name of financial instrument	Opening balance		Increase		Decrease		Closing balance	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
First tranche of medium term notes of 2015	-	-	5,000	4,925,000	-	-	5,000	4,925,000
Second tranche of medium term notes of 2015	-	-	2,500	2,479,975	-	-	2,500	2,479,975
Third tranche of medium term notes of 2015	-	-	2,500	2,479,975	-	-	2,500	2,479,975
Total	-	-	10,000	9,884,950	-	-	10,000	9,884,950

The three tranches of medium term notes of 2015 were recognized as other equity instrument in full amount received of RMB10,000,000,000 deducted by the issuing costs of RMB115,050,000 totally.

47. Capital reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	17,947,320	-	-	17,947,320
Other capital reserve	(121,102)	61,355	10,883	(70,630)
Total	17,826,218	61,355	10,883	17,876,690

The main reason for the increase of capital reserve for the current year is the non-proportional capital injection by the Company to China MCC 17 Group Co., Ltd. and Huatian Engineering & Technology Corporation, MCC, which resulted in an increase of RMB39,157,000 (Note IX2).

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Other comprehensive income

All amounts in RMB'000

Items	Opening balance	Other comprehensive income before tax for the year	Movements during the current year		Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	Closing balance
			Less: Amount included in other comprehensive income in the prior years that is transferred to profit or loss for current year	Less: Income tax expenses			
1. Other comprehensive income that will not be reclassified to profit or loss subsequently	440,530	(418,332)	–	(5,830)	(398,024)	(14,478)	42,506
Including: Remeasurement of defined benefit obligations	440,530	(418,332)	–	(5,830)	(398,024)	(14,478)	42,506
2. Other comprehensive income that may be reclassified subsequently to profit or loss	142,891	40,710	3,318	(8,117)	6,923	38,586	149,814
Including: Net (loss) gain on revaluation of available-for-sale financial assets	223,340	33,312	3,318	6,551	22,935	508	246,275
Exchange differences on translating foreign operations	(80,449)	7,398	–	(14,668)	(16,012)	38,078	(96,461)
Total comprehensive income	583,421	(377,622)	3,318	(13,947)	(391,101)	24,108	192,320

49. Special reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Production safety fee	12,550	2,365,193	2,365,193	12,550
Total	12,550	2,365,193	2,365,193	12,550

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Surplus reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve (a)	529,549	169,323	–	698,872
Total	529,549	169,323	–	698,872

- (a) In accordance with the “Company Law of the PRC” and the Company’s Articles of Association, the Company appropriated 10% of the net profit to the statutory surplus reserve. When the accumulated amount of statutory surplus reserve reaches 50% of the Company’s registered capital, further appropriation will not be needed. Upon the approval of the board, the statutory surplus reserve can be used to offset previous years’ losses or increase the share capital. The Company appropriated 10% of the net profit, amounting to RMB169,323,000 for the year ended 31 December 2015 (for the year ended 31 December 2014: RMB108,890,000), to the statutory surplus reserve.

51. Retained earnings

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Opening balance	9,275,519	6,585,181
Add: Net profit attributable to shareholders of the Company for the current year	4,801,562	3,964,938
Less: Appropriation to statutory surplus reserve (Note VII50(a))	169,323	108,890
Less: Declaration of dividends on ordinary shares (a)	955,500	1,165,710
Less: Declaration of dividends on perpetual bonds (c)	170,010	–
Closing balance (b), (c)	12,782,248	9,275,519

- (a) In accordance with the resolution at the 2014 annual general meeting of shareholders on 26 June 2015, a final cash dividend of RMB0.50 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB955,500,000. These dividends had been paid in the current year.
- (b) As at 31 December 2015, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB9,032,174,000 (as at 31 December 2014: RMB7,899,262,000).
- (c) Dividends on perpetual bond amounted to RMB170,010,000 for the current year (for the year ended 31 December 2014: nil). As at 31 December 2015, retained earnings contained no interests belong to the perpetual bond holders (as at 31 December 2014: nil).

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Operating revenue and operating costs

(1) Operating revenue and operating costs

All amounts in RMB'000

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

(2) Classified by industries

All amounts in RMB'000

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

(3) Classified by geographic locations

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Operating revenue and operating costs (Continued)

(4) Operating revenue from the top five largest customers of the Group

The total amount of operating revenue from the top five largest customers of the Group is RMB18,922,718,000 (for the year ended 31 December 2014: RMB11,621,422,000), accounting for 8.71% of the total operating revenue of the Group (for the year ended 31 December 2014: 5.38%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	7,902,918	3.64
Party 2	3,770,425	1.73
Party 3	2,863,954	1.32
Party 4	2,660,000	1.22
Party 5	1,725,421	0.80
Total	<u>18,922,718</u>	<u>8.71</u>

53. Business taxes and levies

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Selling expenses

All amounts in RMB'000

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

55. Administrative expenses

All amounts in RMB'000

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

The administrative expenses for the current year include audit fees of RMB36,127,000 (for the year ended 31 December 2014: RMB38,856,000), among which audit fees for internal control for the current year amounted to RMB3,000,000 (for the year ended 31 December 2014: RMB3,000,000).

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Financial expenses

All amounts in RMB'000

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

57. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	2,303,482	2,014,143
Including: Accounts receivable bad debts	1,719,472	1,590,048
Other accounts receivable bad debts	550,979	368,445
2. Impairment of inventories (Note VII10(2))	749,067	815,459
3. Impairment of available-for-sale financial assets (Note VII13(4))	4,730	49,109
4. Impairment of long-term equity investments	-	53,323
5. Impairment of fixed assets (Note VII18(8))	834,698	47,743
6. Impairment of construction in progress (Note VII19(3))	7,988	164,115
7. Impairment of intangible assets (Note VII21(2))	598,893	176,973
8. Impairment of goodwill (Note VII22(2))	70,148	259
9. Others	528	(22,740)
Total	4,569,534	3,298,384

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current year	Amount for the prior year
Gains arising on changes in fair value of financial assets designated as at FVTPL	2,426	(36)
Gains/(losses) arising on changes in fair value of derivative financial assets	(18,532)	(22,437)
Gains/(losses) arising on changes in fair value of derivative financial liabilities	(14,339)	-
Total	(30,445)	(22,473)

59. Investment income

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. Non-operating income

All amounts in RMB'000

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

(a) Government grants recognized in profit or loss

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Non-operating expenses

All amounts in RMB'000

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

62. Income tax expense

(1) Income tax expense

All amounts in RMB'000

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Income tax expense (Continued)

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

All amounts in RMB'000

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

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

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

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

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Other comprehensive income

All amounts in RMB'000

<u>Items</u>	<u>Amount for the current year</u>	<u>Amount for the prior year</u>
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	(418,332)	(148,047)
Less: Income tax effects on re-measurement of defined benefit obligations	(5,830)	(7,266)
Subtotal	(412,502)	(140,781)
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	33,312	186,980
Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current year	3,318	14,825
Less: Income tax effects on available-for-sale financial assets	6,551	41,879
Subtotal	23,443	130,276
2. Exchange differences on translating foreign operations	7,398	101,855
Net amount transferred to profit or loss for the current year on disposal of foreign operations	–	(920)
Less: Income tax effects on the exchange differences on translating foreign operations	(14,668)	(15,794)
Subtotal	22,066	118,569
Total	(366,993)	108,064

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Notes to items in the cash flow statements

(1) Other cash receipts relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Receipts of deposits and guarantee funds	695,858	–
Interest income	563,627	423,111
Recovery of receivables	147,520	2,695,669
Government grants received	468,820	522,958
Receipts of withholding payments	–	1,243,468
Petty cash funds returned by employees	6,073	16,240
Others	214,509	138,811
	2,096,407	5,040,257

(2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Payments of deposits and guarantee funds	2,740,753	8,353,053
Research and development expenses	1,635,466	1,150,124
Payments for retirement benefits	508,198	546,076
Travelling expenses	447,507	453,090
Office expenses	675,973	663,817
Repairment and maintenance expenses	110,106	107,899
Advertising and media services expenses	229,400	218,978
Settlements for payables	476,292	96,725
Conference expenses and association fees	12,282	14,879
Others	1,322,263	1,475,780
	8,158,240	13,080,421

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Notes to items in the cash flow statements (Continued)

(3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Cash receipts on interest incomes of receivables and financial investments	166,787	169,377
Cash receipts from asset-related government grants	41,392	109,894
Cash receipts from acquisition of subsidiaries	—	65,706
Total	208,179	344,977

(4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Providing loans to related parties and third parties	1,385,438	1,126,752
Total	1,385,438	1,126,752

(5) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Increase in restricted deposits	156,025	684,251
Settlements of finance lease obligations	102,876	58,000
Transactions with non-controlling interests	13,908	—
Total	272,809	742,251

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Supplementary information of the cash flow statements

(1) Supplementary information of the cash flow statements

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,948,744	4,341,355
Add: Provision for impairment losses of assets	4,569,534	3,298,384
Depreciation of fixed assets and amortization of investment properties	2,657,716	2,891,718
Amortization of intangible assets	346,559	346,000
Amortization of long-term prepayments	63,356	53,945
Gains on disposal of fixed assets, intangible assets and other long-term assets	(179,788)	(86,836)
The excess of the fair value of identifiable net assets acquired over the cost of combination	(90,147)	-
Losses on written-off of fixed assets	98	88
Losses on changes in fair values	30,445	22,473
Financial expenses	3,670,607	4,923,746
Losses arising from investments (gains)	24,804	(78,779)
Increase in deferred tax assets	(438,371)	(372,192)
Decrease in deferred tax liabilities	(124,277)	(61,573)
Increase in inventories	(9,387,675)	(582,741)
Increase in receivables from operating activities	(8,811,113)	(6,313,907)
Increase in payables from operating activities	18,076,890	6,587,346
Net cash flows from operating activities	<u>15,357,382</u>	<u>14,969,027</u>
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	28,736,378	28,571,177
Less: Opening balance of cash	28,571,177	31,242,554
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	<u>165,201</u>	<u>(2,671,377)</u>

(2) Net cash payments to acquire subsidiaries

All amounts in RMB'000

	Amount
Cash and cash equivalents paid for business combination in the current year	27,780
Including: Party 1	27,780
Less: Cash and cash equivalents held by subsidiaries at the acquisition date	24,644
Including: Party 1	24,644
Net cash payments to acquire subsidiaries	<u>3,136</u>

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Supplementary information of the cash flow statements (Continued)

(3) Net cash receipts from disposal of subsidiaries

All amounts in RMB'000

	Amount
Cash and cash equivalents received from disposal of subsidiaries in the current year	3,500
Including: Shanghai Metallurgical Steel Structure Co., Ltd.	3,500
Net cash receipts from disposal of subsidiaries	<u>3,500</u>

(4) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	28,736,378	28,571,177
Including: Cash on hand	24,418	23,660
Bank deposits without restriction	26,671,366	26,732,332
Other monetary funds without restriction	2,040,594	1,815,185
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	28,736,378	28,571,177
Including: Cash and cash equivalents of the Company or within the Group with restriction	-	-

66. Assets with title restrictions

All amounts in RMB'000

Item	Closing book value	Reasons
Cash and bank balances	4,994,328	Pledge/Freeze/Control
Bills receivable	153,247	Pledge
Bills receivable	679,449	Endorsed or discounted
Accounts receivable	1,620,258	Pledge
Inventories	9,791,419	Mortgage
Investment properties	375,359	Mortgage
Fixed assets	780,970	Mortgage
Fixed assets	191,180	Others-Freeze
Intangible assets	287,314	Mortgage
Intangible assets	117,965	Others-Freeze
Intangible assets	113,204	Others-Guarantee mortgage
Total	<u>19,104,693</u>	/

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

67. Foreign currencies denominated items

(1) Foreign currencies denominated items

All amounts in RMB'000

Items	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
Cash and bank balances			2,609,263
Including: USD	295,806	6.4936	1,920,849
EUR	4,242	7.0952	30,100
AUD	59,355	4.7276	280,606
HKD	196	0.8378	164
RMB	87,724	1.0000	87,724
Others	/	/	289,820
Accounts receivable			1,736,842
Including: USD	207,322	6.4936	1,346,266
AUD	1,000	4.7276	4,728
Others	/	/	385,848
Other receivables			1,234,306
Including: USD	121,742	6.4936	790,546
AUD	78,123	4.7276	369,334
RMB	29,028	1.0000	29,028
Others	/	/	45,398
Short-term borrowings			1,294,557
Including: USD	141,670	6.4936	919,948
Others	/	/	374,609
Accounts payable			598,931
Including: USD	15,879	6.4936	103,114
EUR	5,241	7.0952	37,187
AUD	861	4.7276	4,071
RMB	185,586	1.0000	185,586
Others	/	/	268,973
Other payables			9,956,732
Including: USD	429,479	6.4936	2,788,864
AUD	39,096	4.7276	184,831
RMB	6,956,694	1.0000	6,956,694
Others	/	/	26,343
Long-term borrowings			5,713,909
Including: USD	538,418	6.4936	3,496,271
Others	/	/	2,217,638

FINANCIAL STATEMENTS

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

67. Foreign currencies denominated items (Continued)

(2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Limited	Hong Kong	US Dollar	
MCC Ramu NiCo Ltd.	Papua New Guinea	US Dollar	
China Jingye Engineering Corporation Ltd. (Singapore Branch)	Singapore	Singapore Dollar	

The functional currencies of the Group's major foreign operations have not changed during the reporting period.

VIII CHANGES OF THE SCOPE OF CONSOLIDATION

1. Business combination not involving entity under common control

(1) Business combination not involving entity under common control in the current year was as follows:

All amounts in RMB'000

Name of the acquiree	Date of shares acquired	Cost of shares acquired	Proportion of shares acquired (%)	Method of shares acquired	Date of acquisition	The basis of determining the date of acquisition	Post-acquisition revenue in the current year	Post-acquisition profit in the current year
Party 1	2015-08-01	27,780	51.00	Negotiating transfer	2015-08-01	Actual control date by management	30,158	608

(2) The cost of the combination and goodwill arising on acquisition

All amounts in RMB'000

	Party 1
The cost of the combination	
– Cash	27,780
Total cost of the combination	27,780
Less: Fair value of identifiable net assets acquired	117,927
The excess of the fair value of identifiable net assets acquired over the cost of combination	(90,147)

FINANCIAL STATEMENTS

VIII CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

1. Business combination not involving entity under common control (Continued)

(3) Identifiable assets and liabilities at the date of acquisition

All amounts in RMB'000

	Party 1	
	Fair value at the date of acquisition	Carrying value at the date of acquisition
Assets:	569,370	507,247
Current assets	52,539	52,539
Non-current assets	516,831	454,708
Liabilities:	338,141	338,141
Current liabilities	86,999	86,999
Non-current liabilities	251,142	251,142
Net assets	231,229	169,106
Less: Non-controlling interests	113,302	82,862
Net assets acquired	117,927	86,244

As at the acquisition date, the fair values of identifiable assets and liabilities were determined upon a report of assets evaluation performed by an independent valuer.

VIII CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

2. Disposal of subsidiaries

(1) Disposal of subsidiaries through single transaction

All amounts in RMB'000

Name of the subsidiary	Sales proceeds	Percentage of equity interest disposed (%)	Method of disposal	Disposal date	The basis of determining disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal		Carrying amount of the retained interests on disposal date	Fair value of the retained interests on disposal date	Amounts recognized in profit or loss from re-measuring retained interests in accord with its fair value	Key factors and assumptions used in determining the fair value on disposal date	Cumulative gain reclassified from other comprehensive income to profit or loss on disposal
						Proportion of the retained interests on disposal date (%)						
Chengdu MCC Wentou Real Estate Co., Ltd.	434,639	51.00	Negotiating transfer	2015-07-10	Actual date of losing control	127,214	-	-	-	-	Not Applicable	-
Nanjing Riverside Scenic Real Estate Development Co., Ltd.	959,969	100.00	Negotiating transfer	2015-10-31	Actual date of losing control	274,764	-	-	-	-	Not Applicable	-
Nanjing Zhengda Delta Real Estate Co., Ltd.	384,321	100.00	Negotiating transfer	2015-10-31	Actual date of losing control	222,337	-	-	-	-	Not Applicable	-
Nanjing Shuiqingmuhua Real Estate Co., Ltd.	632,460	100.00	Negotiating transfer	2015-11-30	Actual date of losing control	467,282	-	-	-	-	Not Applicable	-
MCC Dalian Bohai Real Estate Co., Ltd.	70,000	70.00	Negotiating transfer	2015-11-30	Actual date of losing control	5,199	-	-	-	-	Not Applicable	-
Nanjing Thumb Business Development Co., Ltd.	199,481	100.00	Negotiating transfer	2015-12-31	Actual date of losing control	45,329	-	-	-	-	Not Applicable	-
Nanjing Himalayas Real Estate Co., Ltd.	305,917	100.00	Negotiating transfer	2015-12-31	Actual date of losing control	195,200	-	-	-	-	Not Applicable	-
Nanjing Zhengda Kuanyu Real Estate Co., Ltd.	246,699	100.00	Negotiating transfer	2015-12-31	Actual date of losing control	54,572	-	-	-	-	Not Applicable	-
Nanjing Lisheng Real Estate Co., Ltd.	448,942	100.00	Negotiating transfer	2015-12-31	Actual date of losing control	83,714	-	-	-	-	Not Applicable	-
Shanghai Metallurgical Steel Structure Co., Ltd.	13,786	100.00	Negotiating transfer	2015-12-31	Actual date of losing control	3,562	-	-	-	-	Not Applicable	-
Total	3,696,214	/	/	/	/	1,479,173	/	-	-	-	/	-

The Group achieved gains of RMB1,479,173,000 arising on losing control of above companies, which was presented in investment income in the consolidated financial statements(Note VII59).

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VIII CHANGES OF THE SCOPE OF CONSOLIDATION (Continued)

3. Other reasons of the change for scope of consolidation

Except for the establishment of MCC Hainan Investment & Development Co., Ltd., and MCC Inner Mongolia Construction Investment Co., Ltd., there were no significant changes of the scope of consolidation for the current year compared with prior year.

IX INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Details of subsidiaries of the Group:

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
Anshan Coking and Refractory Engineering Consulting Corporation	China	Anshan	Design, service	100.00	–	Invested by shareholders
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	86.83	–	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	90.76	–	Invested by shareholders
Anshan Engineering & Research Incorporation of Metallurgical Industry	China	Anshan	Design, service	100.00	–	Invested by shareholders
China MCC 3 Group Co., Ltd.	China	Anshan	Engineering contracting	100.00	–	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	China	Shenyang	Investigation, design	100.00	–	Invested by shareholders
MCC Overseas Ltd.	China	Beijing	Engineering contracting	100.00	–	Invested by shareholders
MCC Communication Construction Group Co., Ltd. (Original name: MCC Communication Engineering Technology Co., Ltd.)	China	Beijing	Infrastructure contractor	100.00	–	Invested by shareholders
MCC International Incorporation Ltd.	China	Beijing	Engineering contracting	100.00	–	Invested by shareholders
Ramu NiCo Management (MCC) Limited	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	–	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	13.56	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	–	Invested by shareholders
MCC-JJJ Mining Development Company Limited	China	Beijing	Resource development	67.02	–	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	87.00	–	Invested by shareholders
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	China	Beijing	Design, service	100.00	–	Invested by shareholders

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC Real Estate Group Co., Ltd.	China	Beijing	Property development	100.00	–	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Engineering contracting	100.00	–	Invested by shareholders
MCC TianGong Group Corporation Limited	China	Tianjin	Engineering contracting	98.53	–	Invested by shareholders
China 22MCC Group Co., Ltd.	China	Tangshan	Engineering contracting	100.00	–	Invested by shareholders
BERIS Group Corporation	China	Baotou	Design, service	100.00	–	Invested by shareholders
China ENFI Engineering Co., Ltd.	China	Beijing	EPC	100.00	–	Invested by shareholders
China Second Metallurgical Group Corporation Limited	China	Baotou	Engineering contracting	100.00	–	Invested by shareholders
Central Research Institute of Building and Construction Co., Ltd., MCC Group	China	Beijing	EPC	100.00	–	Invested by shareholders
China Huaye Group Co., Ltd.	China	Beijing	Engineering contracting	100.00	–	Invested by shareholders
Beijing MCC Equipment Research & Design Corporation Ltd.	China	Beijing	EPC	100.00	–	Invested by shareholders
CISDI Group Co., Ltd.	China	Chongqing	Design, service	100.00	–	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Engineering contracting	98.58	–	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Engineering contracting	100.00	–	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Engineering contracting	100.00	–	Invested by shareholders
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	China	Wuzhou	Infrastructure investment	100.00	–	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Engineering contracting	69.00	–	Invested by shareholders
Shanghai Baoye Group Corp., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Maanshan	EPC	85.10	–	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Maanshan	Engineering contracting	72.39	–	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.34	Invested by shareholders
Wuhan Iron and Steel Design & Research Incorporation Limited	China	Wuhan	Design, service	100.00	–	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	82.56	–	Invested by shareholders

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IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
China First Metallurgical Group Co., Ltd.	China	Wuhan	Engineering contracting	93.07	–	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	91.66	–	Invested by shareholders
Changsha Metallurgical Design & Research Institute Co., Ltd.	China	Changsha	Design, service	100.00	–	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	China	Wuhan	Investigation, design	100.00	–	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	China	Xi'an	Metallurgy equipment manufacture	71.47	–	Invested by shareholders
MCC Mining (Western Australia) Pty Ltd.	Australia	Australia	Resource development	100.00	–	Invested by shareholders
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	–	Invested by shareholders
MCC Holding (Hong Kong) Corporation Limited	China	Hong Kong	Others	100.00	–	Established through investments
MCC Financial Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Northeast Construction & Development Co., Ltd.	China	Shenyang	Engineering contracting	100.00	–	Established through investments
Qianhai MCC (Shenzhen) International Trading Co., Ltd.	China	Shenzhen	Trading	75.00	25.00	Established through investments
MCC Hainan Investment & Development Co., Ltd.	China	Haikou	Engineering contracting	60.00	37.23	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	–	Established through investments

Notes: Except for the Company, MCC Holding (Hong Kong) Corporation Limited, Central Research Institute of Building and Construction Co., Ltd., MCC Group and MCC Real Estate Group Co., Ltd., other subsidiaries have not issued any bonds. None of the subsidiaries of the Company have issued share capital.

(a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current year.

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights

(i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao Jinze Huadi Real Estate Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.
Beijing Enfi Environmental Protection Co., Ltd.	49.15	The equity interest of other shareholders is scattered and of small proportion.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the articles of association, the Group can control the board of directors.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
Fuzhou MCC Infrastructure Investment Co., Ltd.	90.00	The other shareholder has a veto right, recognized as a joint venture
Sichuan Xinyejieda Air-conditioning Technology Co., Ltd.	60.00	Under liquidation procedure
Beijing New Century Hotel Co., Ltd.	60.00	Each shareholder has a veto right, recognized as a joint venture (Note IX3(1))

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IX INTERESTS IN OTHER ENTITIES *(Continued)*

1. Interests in subsidiaries *(Continued)*

(2) *Material non-controlling interests*

All amounts in RMB'000

Company name	Proportion of equity interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests in the current year	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the year
China MCC 20 Group Co., Ltd.	31.00	149,693	6,064	1,540,716
China First Metallurgical Group Co., Ltd.	6.93	48,396	13,166	1,508,165
WISDRI Engineering & Research Incorporation Limited	17.44	108,127	19,860	1,325,188
MCC Capital Engineering & Research Incorporation Limited	13.00	16,681	6,672	833,893
China MCC 17 Group Co., Ltd.	27.61	121,212	149,850	739,605

(a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current year.

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IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Company name	Current		Closing balance				Current		Opening balance			
	assets	assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	assets	assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China MCC 20 Group Co., Ltd.	23,681,319	1,816,382	25,497,701	19,464,182	1,686,933	21,151,115	26,736,739	7,555,265	34,292,004	26,384,255	2,781,953	29,166,208
China First Metallurgical Group Co., Ltd.	16,198,023	2,732,895	18,930,918	13,595,104	1,393,164	14,988,268	16,937,339	3,106,152	20,043,491	14,948,971	1,540,861	16,489,832
WSDRI Engineering & Research Incorporation Limited	11,479,308	2,648,257	14,127,565	8,718,070	160,003	8,878,073	10,079,665	2,572,559	12,652,224	7,661,642	91,046	7,752,688
MCC Capital Engineering & Research Incorporation Limited	11,616,694	3,685,826	15,302,520	11,044,939	12,744	11,057,683	12,139,461	4,098,387	16,237,848	11,194,505	904,765	12,099,270
China MCC 17 Group Co., Ltd.	10,735,663	1,087,258	11,822,921	8,587,175	568,169	9,155,344	8,097,437	1,090,813	9,188,250	6,706,204	518,939	7,225,143

All amounts in RMB'000

Company name	Amount for the current year			Cash flows		Amount for the prior year			Cash flows	
	Operating revenue	Net profit	Total comprehensive income	operating activities	from operating activities	Operating revenue	Net profit	Total comprehensive income	operating activities	from operating activities
China MCC 20 Group Co., Ltd.	28,680,618	693,034	652,480	(154,106)		30,362,003	739,856	735,595	3,313,726	
China First Metallurgical Group Co., Ltd.	15,628,459	372,060	402,157	1,187,030		15,133,432	178,452	184,041	3,270,270	
WSDRI Engineering & Research Incorporation Limited	8,129,216	457,979	458,009	315,461		7,253,225	438,493	438,465	821,794	
MCC Capital Engineering & Research Incorporation Limited	8,039,430	158,844	158,794	1,502,193		8,779,041	162,308	162,197	1,447,971	
China MCC 17 Group Co., Ltd.	13,503,176	363,948	354,471	314,944		11,030,265	310,590	307,415	730,054	

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IX INTERESTS IN OTHER ENTITIES *(Continued)*

2. Transactions causing the changes of the equity of the subsidiaries attributable to the owners of the Company but the control of the subsidiaries is still retained by the Group

(1) Details of the transactions

- (a) For the current year, the Group increased capital contribution in Huatian Engineering & Technology Corporation, MCC with 100% long-term equity investment in MCC Maanshan I&S Design and Research Institute Co., Ltd. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in the above subsidiary by the Group increased from 84.68% to 85.10%.
- (b) For the current year, the Group increased capital contribution in China MCC 17 Group Co., Ltd. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in the above subsidiary by the Group increased from 66.70% to 72.39%.
- (c) For the current year, one of the subsidiaries of the Group China MCC 20 Group Co., Ltd. acquired the non-controlling interest of its subsidiary, Ningbo MCC 20 Construction Co., Ltd. After the transaction, the equity interest in Ningbo MCC 20 Construction Co., Ltd. held by China MCC 20 Group Co., Ltd. increased from 76% to 100%.
- (d) For the current year, one of the subsidiaries of the Group MCC Baosteel Technology Services Co., Ltd. acquired the non-controlling interest of its subsidiary, Shanghai SanGang Transport Handling Co., Ltd. After the transaction, the equity interest in Shanghai SanGang Transport Handling Co., Ltd. held by MCC Baosteel Technology Services Co., Ltd. increased from 58% to 100%.

(2) Impact of the transactions on the non-controlling interests and the equity attributable to owners of the Company

All amounts in RMB'000

	Huatian Engineering & Technology Corporation, MCC	China MCC 17 Group Co., Ltd.	Ningbo MCC 20 Construction Co., Ltd.	Shanghai SanGang Transport Handling Co., Ltd.
Cost of acquisition				
– Cash	–	116,550	10,708	3,200
– Fair value of non-cash assets	3,275	–	–	–
Total of cost of acquisition	3,275	116,550	10,708	3,200
Less: Share of subsidiaries' net assets calculated with reference to the proportion of the share attained	7,553	151,429	6,601	(2,797)
The difference	(4,278)	(34,879)	4,107	5,997
Including: Adjustment to capital reserve	(4,278)	(34,879)	4,107	5,997

IX INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates

(1) Details of the Group's material joint ventures and associates

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		Accounting method
				Direct	Indirect	
Tianjin Zhongji Equipment Manufacture Co., Ltd.	China	Tianjin	Equipment manufacture and installation	50.00	–	Equity method
Beijing New Century Hotel Co., Ltd.	China	Beijing	Hotel service	60.00	–	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Manufacturing	50.00	–	Equity method
CERI Yingkou Equipment Technology Co., Ltd.	China	Yingkou	Equipment design and manufacture	48.96	–	Equity method
Nanjing Ming's Culture Co., Ltd.	China	Nanjing	Cultural communication	49.18	–	Equity method
Tianjin Tuanbo Urban Development Co., Ltd.	China	Tianjin	Property development	30.00	–	Equity method
Baotou MCC Real Estate Co., Ltd.	China	Baotou	Property development	36.00	–	Equity method
Zhongshan Finance Investment Holdings Co., Ltd.	China	Zhongshan	Investment and asset management	20.00	–	Equity method
WISDRI (Xinyu) Cold Processing Engineering Co., Ltd.	China	Xinyu	Equipment manufacture	30.00	–	Equity method
Tianjin MCC Xinhua Real Estate Co., Ltd.	China	Tianjin	Property development	49.00	–	Equity method

The Group has no significant interests in any single joint venture or associate above.

(a) *The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence*

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Assigned director to the board of directors of the entity
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Assigned director to the board of directors of the entity
Dianjiang County Wenbi Construction Co., Ltd.	10.00	Each shareholder has a veto right, recognized as a joint venture

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IX INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence (Continued)

(ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Shanghai Xipu Transportation Co., Ltd.	40.00	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Tangshan Stainless Steel Co., Ltd.	23.89	
BERIS Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Harbin Shuangqi Environmental Resources Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	Closing balance/ amount recognized in the current year	Opening balance/ amount recognized in the prior year
Joint ventures:		
Total carrying amount	619,058	602,971
The Group's share of the following items:		
– Net profit	(48,598)	(7,167)
– Other comprehensive income	–	–
– Total comprehensive income	(48,598)	(7,167)
Associates:		
Total carrying amount	3,295,967	3,336,240
The Group's share of the following items:		
– Net profit	(209,049)	(166,914)
– Other comprehensive income	–	–
– Total comprehensive income	(209,049)	(166,914)

(3) In the reporting period, there are no significant restrictions on the realization of long-term equity investments, or on the remittance of cash arising from the investment income in joint ventures and associates.

X FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's operating activities expose to a variety of financial risks: market risk (mainly including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

1. Market risk

(1) Foreign exchange risks

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

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 31 December 2015 are set out in Note VII67.

As at 31 December 2015, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group the year ended 31 December 2015 would have been approximately RMB185,197,000 lower/higher (as at 31 December 2014: RMB226,447,000 lower/higher).

(2) Interest rate risk

- (a) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI6.
- (b) The interest bearing debts at floating rates expose the Group to cash flow interest-rate risk. The Group chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. As at 31 December 2015, short-term borrowings of the Group were amounting to RMB36,798,152,000 (as at 31 December 2014: RMB36,461,263,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB5,787,492,000 (as at 31 December 2014: RMB5,300,330,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB16,674,007,000 (as at 31 December 2014: RMB17,783,516,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB6,980,319,000 (as at 31 December 2014: RMB6,024,542,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB13,858,410,000 (as at 31 December 2014: RMB25,871,271,000) (Notes VII26, 36, 38, 39, 40).

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X FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. **Market risk** *(Continued)*

(2) **Interest rate risk** *(Continued)*

(b) *(Continued)*

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For the current reporting year and the 2014 financial year, the Group has not involved in any interest rate swap arrangements.

During the current year, if the respective interest rates on RMB-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the year ended 31 December 2015 would have been RMB335,907,000 lower/higher (for the year ended 31 December 2014: approximately RMB329,848,000).

During the current year, if the interest rates on USD and other currency-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the year ended 31 December 2015 would have been RMB87,828,000 lower/higher (for the year ended 31 December 2014: approximately RMB44,438,000).

2. **Credit risk**

The Group classifies and manages the credit risk based on portfolios. The Group's credit risk primarily related to the Group's cash and bank balances, accounts receivable, other receivables, bills receivable and long-term receivables, etc.

A majority of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group hold the view that there is no significant credit risk and no significant impact on the operating results of the Group due to failure to discharge an obligation by the counterparties.

The Group has policies in place to control the credit risk of accounts receivables, other receivables, bills receivable and long-term receivables. The Group also has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

3. **Liquidity risk**

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

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X FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3. Liquidity risk (Continued)

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 31 December 2015 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash and bank balances	33,730,706	–	–	–	33,730,706
Bills receivable	11,360,670	–	–	–	11,360,670
Accounts receivable	63,663,109	–	–	–	63,663,109
Interest receivables	11,644	–	–	–	11,644
Dividends receivable	38,045	–	–	–	38,045
Other receivables	28,759,784	–	–	–	28,759,784
Non-current assets within a year	7,054,781	–	–	–	7,054,781
Held-to-maturity investments	–	–	–	20	20
Long-term receivables	91,862	2,078,160	2,625,408	3,402,294	8,197,724
Total	144,710,601	2,078,160	2,625,408	3,402,314	152,816,483
Financial liabilities					
Short-term borrowings	37,671,115	–	–	–	37,671,115
Derivative financial liabilities	11,196	3,143	–	–	14,339
Bills payable	15,641,626	–	–	–	15,641,626
Accounts payable	93,413,988	–	–	–	93,413,988
Employee benefits payable	2,061,162	–	–	–	2,061,162
Interest payables	752,120	–	–	–	752,120
Dividends payable	791,058	–	–	–	791,058
Other payables	16,294,450	–	–	–	16,294,450
Other current liabilities	20,372,351	–	–	–	20,372,351
Non-current liabilities within a year	13,441,011	–	–	–	13,441,011
Long-term borrowings	866,255	7,458,807	9,733,176	5,967,040	24,025,278
Bonds payable	443,172	8,256,694	3,370,777	–	12,070,643
Long-term payables	18,164	636,155	347,770	19,816	1,021,905
External guarantee (excluding real estate bank mortgage guarantee)	302,600	–	–	–	302,600
Total	202,080,268	16,354,799	13,451,723	5,986,856	237,873,646

FINANCIAL STATEMENTS

X FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

4. Transfer of financial assets

As at 31 December 2015, the Group endorsed bills receivables amounting to RMB3,339,154,000 (as at 31 December 2014: RMB6,988,178,000) to its suppliers for settlements of payables to these suppliers. The Group also discounted bills receivable amounting to RMB1,195,672,000 (as at 31 December 2014: RMB1,151,293,000) to banks for the purpose of obtaining funding. As the Group is of the view that substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred to suppliers and banks, the Group derecognized these bills receivable from the financial statements. The Group is of the view that the risk of not honoring the bills by the issuers upon maturity is remote if the issuers have good credibility. Should the parties issuing these bills be unable to honor these bills upon maturity, according to the prevailing rules and regulations in the PRC, the Group should bear joint liability. As at 31 December 2015, should the issuers of the bills be unable to honor the aforesaid bills upon maturity, the maximum exposure of the Group is the total amount of the bills endorsed to suppliers or discounted to banks. The maturity dates of all endorsed bills and discounted bills are within twelve months from the end of the reporting period.

As at 31 December 2015, the Group endorsed bills receivable amounting to RMB46,460,000 (as at 31 December 2014: nil) to its suppliers for settlements of payables to these suppliers. The Group also discounted bills receivable amounting to RMB632,989,000 (as at 31 December 2014: nil) to banks for the purpose of obtaining funding. As the Group is of the view that the Group retains nearly all of the risks and rewards of ownership of the above endorsed and discounted bills receivable, including default risk, the Group further recognized the endorsed and discounted bills receivable and related discharged accounts payable. After the bills were endorsed or discounted, the Group did not retain any rights to the use of such bills, including the sale, transfer or mortgage of such bills to any third party.

As at 31 December 2015, the Group had transferred accounts receivable amounting to RMB2,655,058,000 (as at 31 December 2014: RMB1,002,279,000), and long-term receivables amounting to RMB8,422,562,000 (as at 31 December 2014: RMB5,024,000,000) to financial institutions, including banks, for the purpose of obtaining funding. As the Group is of the view that substantially all the risks and rewards of ownership of the above accounts receivable and long-term receivables have been transferred to those financial institutions, the Group derecognized these accounts receivable and long-term receivables from the financial statements.

FINANCIAL STATEMENTS

XI FAIR VALUE MEASUREMENTS

1. Fair value of the Group's financial assets and financial liabilities that are measured at fair value at the end of the year

All amounts in RMB'000

Items	Fair value at the end of the year			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss				
1. Held-for-trading financial assets	1,410,011	–	–	1,410,011
(1) Currency funds	1,408,856	–	–	1,408,856
(2) Equity instruments	1,155	–	–	1,155
(II) Available-for-sale financial assets	480,449	100,000	–	580,449
(1) Equity instruments	480,449	–	–	480,449
(2) Others	–	100,000	–	100,000
Total assets that are measured at fair value on a recurring basis	1,890,460	100,000	–	1,990,460
(III) Derivative financial liabilities	–	14,339	–	14,339
Total liabilities that are measured at fair value on a recurring basis	–	14,339	–	14,339

2. The basis of market prices determined on level 1 of the fair value hierarchy

The fair values of currency funds and equity instruments are based on their prices of publicly traded market on the last trading day of the reporting period.

3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

	Valuation techniques	Key inputs
Derivative financial liabilities – forward contracts	Discounted cash flow	Forward rate
Available-for-sale financial assets – trust products	Discounted cash flow	Average yield rate of similar products of the same term

FINANCIAL STATEMENTS

XI FAIR VALUE MEASUREMENTS (Continued)

4. There was no transfer between any level of the fair value hierarchy in the reporting period.
5. There was no change in the valuation techniques in the reporting period.
6. Fair value of financial assets and financial liabilities that are not measured at fair value

Receivables, long-term receivables, held-to-maturity investments, non-current assets due within one year, short-term borrowings, payables, long-term borrowings, bonds payable, long-term payables and non-current liabilities due within one year included in the financial assets/liabilities are not measured at fair value.

The Group considers that the fair value of its unlisted equity investments in available-for-sale financial assets cannot be measured reliably since the range of reasonable fair value estimates is so significant and the probability of each fair value estimate cannot be assessed reliably. Therefore the Group measures the investments at cost less impairment method.

Except for the items listed in the table below, the Group considers that the fair values of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Carrying amount as at 31 December 2015	Fair value as at 31 December 2015			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	13,858,410	–	14,395,892	–	14,395,892
1. Long-term borrowings at fixed interest rate	2,885,924	–	2,931,009	–	2,931,009
2. Bonds payable at fixed interest rate	10,972,486	–	11,464,883	–	11,464,883

FINANCIAL STATEMENTS

XI FAIR VALUE MEASUREMENTS (Continued)

6. Fair value of financial assets and financial liabilities that are not measured at fair value (Continued)

All amounts in RMB'000

	Carrying amount as at 31 December 2014	Fair value as at 31 December 2014			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:					
1. Long-term borrowings at fixed interest rate	25,871,271	–	26,653,635	–	26,653,635
2. Bonds payable at fixed interest rate	3,925,348	–	3,836,469	–	3,836,469
	<u>21,945,923</u>	<u>–</u>	<u>22,817,166</u>	<u>–</u>	<u>22,817,166</u>

Quantitative information determined in accordance with the level 2:

	Valuation techniques	Key inputs
Long-term borrowings at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China
Bonds payable at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China

XII RELATED PARTIES AND TRANSACTIONS

1. Details of the parent company of the Company

All amounts in RMB'000

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership	Percentage of voting rights in
				interest in the Company (%)	the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering contracting, property development, equipment manufacture, resource development and others	8,538,556	64.18	64.18

Note: Related party transactions between the Company and CMGC also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX1.

3. Principal joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in Note IX3.

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS *(Continued)*

3. Principal joint ventures and associates of the Group *(Continued)*

Joint ventures and associates entered into transactions with the Group during the year, or during the prior year with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	Joint ventures
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Joint ventures
Beijing Tiancheng GUYUN Property Management Co., Ltd.	Joint ventures
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Joint ventures
Dianjiang County Wenbi Construction Co., Ltd.	Joint ventures
CERI Yingkou Equipment Technology Co., Ltd.	Associates
Tianjin SERI Machinery Equipment Corporation Ltd.	Associates
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Associates
Shanghai Yuepu South Concrete Co., Ltd.	Associates
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associates
Wuhan Zhonghe Engineering Technique Co., Ltd.	Associates
Wuhan Zhong Yi Investment Construction Company Ltd.	Associates
MCC Suzhou SUMA Construction Development Co., Ltd.	Associates
Maanshan MCC Economic Development Company Ltd.	Associates
Baotou MCC Real Estate Co., Ltd.	Associates
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Associates
Shanghai Zhong Ye Xiangteng Investment Company Ltd. <i>(Note 1)</i>	Associates
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associates
Tianjin Tuanbo Urban Development Co., Ltd.	Associates
Beijing Xinghua Zhiben Investment Co., Ltd. <i>(Note 2)</i>	Associates
Mudanjiang MCC Real Estate Co., Ltd.	Associates
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Associates

XII RELATED PARTIES AND TRANSACTIONS *(Continued)*

3. Principal joint ventures and associates of the Group *(Continued)*

<u>Name of joint ventures and associates</u>	<u>Relationship with the Group</u>
Sichuan HangYe Industrial Co., Ltd.	Associates
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associates
Shanghai United Automobile Road Construction Development Co., Ltd.	Associates
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associates
Beijing Times Antai Real Estate Co., Ltd. <i>(Note3)</i>	Associates
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Associates
Shanghai MCC Xiangqi Investment Co., Ltd.	Associates
Beijing Zhongye HengSheng Real Estate Co., Ltd.	Associates
Shanghai Zhihu Real Estate Co., Ltd.	Associates
Wuhan Hanwei Refining Engeneering Co., Ltd.	Associates
Chongqing XinLian Steel Equipment Technique Co., Ltd.	Associates
SL-GV-MCC PTE LTD	Associates
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Associates
MCC-Huafa Integrated Pipe Network Co., Ltd.	Associates
Maanshan Jiahe Real Estate Co., Ltd.	Associates

Note 1: Shanghai Zhong Ye Xiangteng Investment Company Ltd. has been liquidated in September 2015.

Note 2: Beijing Xinghua Zhiben Investment Co., Ltd. has been disposed in January 2015.

Note 3: Beijing Times Antai Real Estate Co., Ltd has been disposed in January 2015.

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS *(Continued)*

4. Other related parties of the Group

Other related parties entered into transactions with the Group during the year, or during the prior year with remaining closing balance were as follows, such transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange:

<u>Name of other related parties</u>	<u>Relationship with the Group</u>
MCC Huludao Nonferrous Metals Group Co., Ltd.	Fellow subsidiary
MCC Asset Management Co., Ltd.	Fellow subsidiary
Subsidiaries of MCC Huludao Nonferrous Metals Group Co., Ltd.: Huludao Zinc Industry Co., Ltd.	Under common control
Subsidiaries of MCC Asset Management Co., Ltd.: Beijing Dongxing Metallurgical New-Tech & Development Corp. Beijing China Metallurgical Construction Taxi Company Shanghai MCC Workers' Hospital	Under common control Under common control Under common control
Subsidiaries of Beijing Dongxing Metallurgical New-Tech & Development Corp.: Handan Huaye Property Services Co., Ltd. Handan Huaye New Type Building Material Co., Ltd. Handan equipment Leasing Co., Ltd. Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd. Shahe Huagang Leasing Co., Ltd. Hainan Luda Real Estate Development Co., Ltd.	Under common control Under common control Under common control Under common control Under common control Under common control

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions

(1) Purchase or sales of goods, provision or receipt of services

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
With companies under common control:		43,905	4,206
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of intangible assets	40,168	–
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of goods and receiving services	3,339	3,908
Beijing China Metallurgical Construction Taxi Company	Receiving services	398	298
With joint ventures and associates:		143,184	174,408
CERI Yingkou Equipment Technology Co., Ltd.	Purchase of goods	45,185	31,683
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Purchase of goods	37,511	–
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Purchase of goods and receiving services	29,200	38,034
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods and receiving services	25,396	642
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods and receiving services	4,129	–
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Purchase of goods and receiving services	1,300	2,565
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods and receiving services	385	2,374
Wuhan Zhonghe Engineering Technique Co., Ltd.	Purchase of goods and receiving services	78	–
Shanghai Zhong Ye Xiangteng Investment Company Ltd.	Purchase of fixed assets	–	99,110
		187,089	178,614

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
With companies under common control:		5,419	15,388
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	5,205	1,012
Shanghai MCC Workers' Hospital	Providing services	214	14,376
With the joint ventures and associates:		1,515,379	2,218,873
Wuhan Zhong Yi Investment Construction Company Ltd.	Providing services	981,904	1,297,909
MCC Suzhou SUMA Construction Development Co., Ltd.	Providing services	262,133	489,929
Tianjin MCC Heyuan Real Estate Co., Ltd.	Providing services	76,534	–
Tianjin MCC Xinhua Real Estate Co., Ltd.	Providing services	45,515	–
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Providing services	36,532	–
Tianjin Tuanbo Urban Development Co., Ltd.	Providing services	29,057	77,581
Baotou MCC Real Estate Co., Ltd.	Providing services	21,977	117,635
Wuhan Hanwei Refining Engeneering Co., Ltd.	Selling goods	21,307	–
Maanshan MCC Economic Development Company Ltd.	Providing services	14,584	111,890
Chongqing XinLian Steel Equipment Technique Co., Ltd.	Providing services	8,250	–
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Selling goods	3,909	–
CERI Yingkou Equipment Technology Co., Ltd.	Selling goods and providing services	3,799	62,935
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Providing services	3,557	–
SL-GV-MCC PTE LTD	Providing services	3,041	–
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Providing services	2,790	–
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Providing services	490	–
Beijing Xinghua Zhiben Investment Co., Ltd.	Providing services	–	49,840
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Providing services	–	11,154
Total		1,520,798	2,234,261

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(2) Lease

(a) As lessor

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized in the current year	Leasing income recognized in the prior year
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Buildings and structures	213	–
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	105	105
Total		318	105

(b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Leasing expense recognized in the current year	Leasing expense recognized in the prior year
China Metallurgical Group Corporation (note)	Buildings and structures	39,737	42,295
Beijing Dongxing Metallurgical New-Tech & Development Corp. (note)	Buildings, structures and equipment	10,776	9,560
MCC Asset Management Co., Ltd. (note)	Buildings and structures	22	–
Total		50,535	51,855

Note: These related party transactions constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(3) Guarantee

(a) Grant guarantees

All amounts in RMB'000

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at the end of the year
CERI Yingkou Equipment Technology Co., Ltd.	178,000	2009-06-18	2017-12-10	No
CERI Yingkou Equipment Technology Co., Ltd.	124,600	2010-02-02	2017-12-02	No

(b) Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at the end of the year
China Metallurgical Group Corporation	3,259,437	2011-07-29	2016-07-29	No
China Metallurgical Group Corporation	324,680	2015-03-24	2016-03-24	No
China Metallurgical Group Corporation	1,371,756	2015-05-21	2017-05-21	No

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Loans to related parties:				
Wuhan Zhong Yi Investment Construction Company Ltd.	1,000,000	2015-12-31	2016-06-30	General loan
Wuhan Zhong Yi Investment Construction Company Ltd.	835,000	2015-01-07	2015-07-06	General loan
Wuhan Zhong Yi Investment Construction Company Ltd.	204,400	2015-09-01	2015-12-28	General loan
Wuhan Zhong Yi Investment Construction Company Ltd.	100,000	2015-10-26	2015-12-28	General loan
Wuhan Zhong Yi Investment Construction Company Ltd.	50,000	2015-07-28	2015-12-28	General loan
Wuhan Zhong Yi Investment Construction Company Ltd.	50,000	2015-12-10	2015-12-28	General loan
Hebei MCC Mingrun Real Estate Development Co., Ltd.	934,002	2015-12-25	No fixed date	General loan
CERI Yingkou Equipment Technology Co., Ltd.	500,000	2015-12-30	2016-12-30	General loan
Sichuan HangYe Industrial Co., Ltd.	93,600	2015-08-19	2016-08-18	Entrusted loan
Sichuan HangYe Industrial Co., Ltd.	40,700	2015-01-23	2016-01-22	Entrusted loan
Sichuan HangYe Industrial Co., Ltd.	19,000	2015-06-03	2015-08-28	General loan
Sichuan HangYe Industrial Co., Ltd.	3,000	2015-07-22	2015-08-28	Entrusted loan
Tianjin MCC Xinhua Real Estate Co., Ltd.	16,000	2015-05-06	2015-11-06	General loan
Tianjin MCC Xinhua Real Estate Co., Ltd.	4,412	2015-01-09	2015-07-08	General loan
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	6,700	2015-05-18	2016-05-18	General loan
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	6,000	2015-09-04	2016-09-04	General loan
Total	<u>3,862,814</u>			

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.35% to 15%.

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel

Key managements include director (executive director and non-executive director), supervisor, president, vice president, board secretary and chief accountant. Compensation as employee services paid or to be paid to key management personnel is as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	3,138	4,415
Pension scheme contributions	465	436
Discretionary bonus	3,446	1,905
Total	7,049	6,756

(a) Directors' and supervisors' remunerations

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	2,354	3,024
Pension scheme contributions	280	242
Discretionary bonus	2,160	1,207
Total	4,794	4,473

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2015 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
Executive Directors				
Guo Wen Qing	186	44	443	673
Zhang Zhao Xiang (i)	181	44	394	619
Non-executive Director				
Jing Tian Liang	128	–	–	128
Independent Non-executive Directors				
Yu Hai Long	146	–	–	146
Ren Xu Dong	151	–	–	151
Chen Jia Qiang	145	–	–	145
Employee Representative Director				
Lin Jin Zhen	433	44	324	801
Supervisors				
Li Shi Yu (from 26/6/2015) (ii)	170	44	380	594
Xu Xiang Chun (up to 26/6/2015)	70	16	130	216
Peng Hai Qing	329	44	198	571
Shao Bo	415	44	291	750
Total	2,354	280	2,160	4,794

(i) Mr. Zhang Zhao Xiang is also the chief executive of the Group, and his compensations disclosed above have contained the compensation as the chief executive.

(ii) Mr. Li Shi Yu was one of senior executives of the Company in January to May 2015, and his compensations disclosed above have contained the compensation as a senior executive.

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2014 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
Executive Directors				
Guo Wen Qing	324	39	158	521
Shen He Ting (up to 01/04/2014)	20	14	160	194
Zhang Zhao Xiang (from 27/06/2014) (i)	309	39	160	508
Non-executive Director				
Jing Tian Liang	107	–	–	107
Independent Non-executive Directors				
Jiang Long Sheng (up to 13/11/2014)	181	–	–	181
Wen Ke Qin (up to 13/11/2014)	177	–	–	177
Liu Li (up to 13/11/2014)	178	–	–	178
Chen Yong Kuan (up to 13/11/2014)	102	–	–	102
Zhang Yu Ming (up to 13/11/2014)	148	–	–	148
Yu Hai Long (from 13/11/2014)	16	–	–	16
Ren Xu Dong (from 13/11/2014)	16	–	–	16
Chen Jia Qiang (from 13/11/2014)	15	–	–	15
Employee Representative Director				
Lin Jin Zhen	440	39	266	745
Supervisors				
Shan Zhong Li (up to 13/11/2014)	232	33	114	379
Xu Xiang Chun (from 13/11/2014)	–	–	–	–
Peng Hai Qing	336	39	138	513
Shao Bo	423	39	211	673
Total	3,024	242	1,207	4,473

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(a) Directors' and supervisors' remunerations (Continued)

- (i) Mr. Zhang Zhao Xiang is also the chief executive of the Group, and his compensations disclosed above have contained the compensation as the chief executive.

The compensations disclosed above mainly contained remuneration for management of affairs of the Company. Discretionary bonus is determined by management based on the performance of directors and supervisors and the Group's operating performance.

During both years, none of the directors, chief executives or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors, chief executives or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

(b) Five highest paid individuals' remunerations

None of the Directors and Supervisors as disclosed in the note above was included in the five highest paid individuals of the Group. The five individuals whose remunerations were the highest in the Group during the year are as follows:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	1,241	657
Pension scheme contributions	132	191
Discretionary bonus	9,189	7,873
Total	10,562	8,721

Items	Number of individuals for the current year	Number of individuals for the prior year
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	2
HK\$2,000,001 to HK\$2,500,000	3	2
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$3,000,001 to HK\$3,500,000	1	–
Total	5	5

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related party	Amount for the current year	Amount for the prior year
Interest income	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	85,048	83,401
Interest income	Sichuan HangYe Industrial Co., Ltd.	18,778	–
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	14,615	36,256
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	12,166	7,998
Interest income	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	8,965	5,913
Interest income	CERI Yingkou Equipment Technology Co., Ltd.	7,538	11,106
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	6,853	2,018
Interest income	Wuhan Zhong Yi Investment Construction Company Ltd.	6,702	9,807
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	5,748	1,774
Interest income	Hebei MCC Mingrun Real Estate Development Co., Ltd.	373	–
Interest income	Baotou MCC Real Estate Co., Ltd.	–	24,898
Interest income	Shanghai United Automobile Road Construction Development Co., Ltd.	–	11,468
Interest income	Beijing Xinghua Zhiben Investment Co., Ltd.	–	2,160
Total interest income		166,786	196,799
Interest expenses	China Metallurgical Group Corporation	26,995	6,697
Total interest expenses		26,995	6,697

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties

(1) Receivables

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	161,605	550	149,155	202
Accounts receivable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	151,274	61,008	155,668	55,955
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	127,552	693	99,385	–
Accounts receivable	CERI Yingkou Equipment Technology Co., Ltd.	81,629	11,456	310,070	77,958
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	80,476	3,114	42,094	1,716
Accounts receivable	Tianjin MCC Xinhua Real Estate Co., Ltd.	77,025	3,851	31,767	1,634
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	50,422	4,048	73,119	–
Accounts receivable	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	28,218	–	–	–
Accounts receivable	Shanghai United Automobile Road Construction Development Co., Ltd.	22,735	6,307	22,735	5,108
Accounts receivable	Wuhan Hanwei Refining Engeneering Co., Ltd.	21,307	1,451	–	–
Accounts receivable	Chongqing XinLian Steel Equipment Technique Co., Ltd.	8,168	418	–	–
Accounts receivable	MCC Suzhou SUMA Construction Development Co., Ltd.	6,860	–	72,912	–
Accounts receivable	SL-GV-MCC PTE LTD	4,673	–	–	–
Accounts receivable	MCC Huludao Nonferrous Metals Group Co., Ltd.	804	804	3,504	3,504
Accounts receivable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	75	4	–	–
Accounts receivable	Wuhan Zhong Yi Investment Construction Company Ltd.	–	–	118,989	–
Accounts receivable	Beijing Xinghua Zhiben Investment Co., Ltd.	–	–	39,920	1,996
Accounts receivable	Shanghai MCC Xiangqi Investment Co., Ltd.	–	–	4,414	–
Accounts receivable	Tianjin SERI Machinery Equipment Corporation Ltd.	–	–	1	–
Total		<u>822,823</u>	<u>93,704</u>	<u>1,123,733</u>	<u>148,073</u>

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,020,909	–	509,807	–
Other receivables	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	936,629	–	860,676	–
Other receivables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	927,375	–	–	–
Other receivables	CERI Yingkou Equipment Technology Co., Ltd.	854,826	191,799	250,428	26,097
Other receivables	Sichuan HangYe Industrial Co., Ltd.	484,350	29,220	100,050	–
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	441,566	–	435,859	–
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,803	119,325	415,581	40,222
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	197,713	19,329	188,873	9,444
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	110,259	–	104,511	–
Other receivables	Mudanjiang MCC Real Estate Co., Ltd.	90,750	–	84,537	–
Other receivables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	83,218	5	83,920	2
Other receivables	Shanghai Yuepu South Concrete Co., Ltd.	81,841	51,593	81,841	31,667
Other receivables	Tianjin MCC Xinhua Real Estate Co., Ltd.	73,697	12,283	43,591	3,784
Other receivables	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	64,507	–	42,470	–
Other receivables	Dianjiang County Wenbi Construction Co., Ltd.	50,000	–	–	–
Other receivables	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	42,684	–	–	–
Other receivables	SL-GV-MCC PTE LTD	36,695	–	–	–
Other receivables	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	28,423	–	56,484	–
Other receivables	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	16,384	8,016	12,475	4,928
Other receivables	MCC Suzhou SUMA Construction Development Co., Ltd.	8,525	–	1,260	–
Other receivables	Shanghai United Automobile Road Construction Development Co., Ltd.	3,199	242	91,472	672
Other receivables	Beijing Zhongye HengSheng Real Estate Co., Ltd.	921	–	67	–
Other receivables	MCC-Huafa Integrated Pipe Network Co., Ltd.	500	–	–	–
Other receivables	Shanghai ZhiHu Real Estate Development Co., Ltd.	142	–	–	–
Other receivables	Beijing Xinghua Zhiben Investment Co., Ltd.	–	–	48,843	–
Other receivables	Beijing Times Antai Real Estate Co., Ltd.	–	–	45,668	–
Total		5,970,916	431,812	3,458,413	116,816

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Prepayments	CERI Yingkou Equipment Technology Co., Ltd.	216,210	-	217,711	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	28,862	-	27,125	-
Prepayments	Wuhan Hanwei Refining Engeneering Co., Ltd.	5,092	-	-	-
Prepayments	Shanghai Tongji Baoye Construction Robot Co., Ltd.	180	-	-	-
Prepayments	Tianjin SERI Machinery Equipment Corporation Ltd.	102	-	102	-
Total		<u>250,446</u>	<u>-</u>	<u>244,938</u>	<u>-</u>
Dividends receivable	Tianjin Tuanbo Urban Development Co., Ltd.	18,000	-	-	-
Dividends receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	-	17,097	-
Dividends receivable	Maanshan Jiahe Real Estate Co., Ltd.	1,000	-	-	-
Dividends receivable	Wuhan Zhonghe Engineering Technique Co., Ltd.	1,000	-	720	-
Total		<u>37,097</u>	<u>-</u>	<u>17,817</u>	<u>-</u>
Non-current assets due within one year	CERI Yingkou Equipment Technology Co., Ltd.	500,000	-	791,509	-
Total		<u>500,000</u>	<u>-</u>	<u>791,509</u>	<u>-</u>

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	37,810	12,639
Accounts payable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	37,511	–
Accounts payable	CERI Yingkou Equipment Technology Co., Ltd.	25,919	18,599
Accounts payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	23,370	5,089
Accounts payable	Tianjin SERI Machinery Equipment Corporation Ltd.	11,115	12,926
Accounts payable	Wuhan Zhonghe Engineering Technique Co., Ltd.	843	765
Accounts payable	Shanghai Tongji Baoye Construction Robot Co., Ltd.	760	760
Accounts payable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	37	37
Accounts payable	Handan equipment leasing Co., Ltd.	–	5,626
Accounts payable	Shahe Huagang leasing Co., Ltd.	–	2,961
Accounts payable	Handan Huaye property services Co., Ltd.	–	1,561
Accounts payable	Handan Huaye New Type Building Material Co., Ltd.	–	1,039
Total		137,365	62,002

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

Items	Related parties	Closing book value	Opening book value
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	China Metallurgical Group Corporation	102,698	117,380
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	91,803	196,810
Other payables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	49,713	–
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Corp.	38,021	59,436
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	20,853	20,853
Other payables	Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	5,891	5,891
Other payables	Hainan Luda Real Estate Development Co., Ltd.	4,994	–
Other payables	MCC Asset Management Co., Ltd.	3,690	367
Other payables	CERI Yingkou Equipment Technology Co., Ltd.	3,190	3,190
Other payables	Handan Huaye property services Co., Ltd.	2,164	2,226
Other payables	Maanshan MCC Economic Development Company Ltd.	900	900
Other payables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	750	–
Other payables	Handan Huaye New Type Building Material Co., Ltd.	402	234
Other payables	Shanghai Zhong Ye Xiangteng Investment Company Ltd.	–	117,292
Other payables	MCC Suzhou SUMA Construction Development Co., Ltd.	–	50,175
Other payables	Beijing Xinghua Zhiben Investment Co., Ltd.	–	5,000
Other payables	Shahe Huagang leasing Co., Ltd.	–	68
Other payables	Beijing Tiancheng GUYUN Property Management Co., Ltd.	–	5
Total		693,540	948,298

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

Items	Related parties	Closing book value	Opening book value
Receipts in advance	Tianjin Tuanbo Urban Development Co., Ltd.	16,500	15,500
Receipts in advance	CERI Yingkou Equipment Technology Co., Ltd.	7,369	15,689
Receipts in advance	Huludao Zinc Industry Co., Ltd.	270	–
Receipts in advance	Tianjin MCC Heyuan Real Estate Co., Ltd.	243	243
Receipts in advance	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	72	72
Receipts in advance	Handan Huaye property services Co., Ltd.	–	1,800
Total		<u>24,454</u>	<u>33,304</u>
Dividends payable	Beijing China Metallurgical Construction Taxi Company	17	7
Total		<u>17</u>	<u>7</u>
Interest payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	6,186	–
Total		<u>6,186</u>	<u>–</u>
Non-current liabilities due in one year	China Metallurgical Group Corporation	78,980	–
Total		<u>78,980</u>	<u>–</u>
Long-term payable	China Metallurgical Group Corporation	300,000	378,980
Total		<u>300,000</u>	<u>378,980</u>

FINANCIAL STATEMENTS

XII RELATED PARTIES AND TRANSACTIONS (Continued)

7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties but not provided for in the balance sheet were as follows:

Lease:

All amounts in RMB'000

Items	Related parties	Closing balance	Opening balance
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	3,823	5,097
Leases from	China Metallurgical Group Corporation	964	18,170
Total		4,787	23,267

XIII COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not provided for in the balance sheet were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Buildings, structures and equipment	24,841,576	25,047,770
Intangible assets	4,423,266	4,453,130
Total	29,264,842	29,500,900

(2) Operating lease commitments

Minimum lease payments under non-cancellable operating leases:

All amounts in RMB'000

Items	Closing balance	Opening balance
Within 1 year	6,784	25,767
1 to 2 years	5,012	5,903
2 to 3 years	2,974	4,972
Over 3 years	30,671	33,137
Total	45,441	69,779

FINANCIAL STATEMENTS

XIII COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) Pending litigation or arbitration

As at 31 December 2015, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB1,480,286,000.

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision will be made for the above pending lawsuits if management determines the outflow of resources is not probable. As at 31 December 2015, management has made provision for pending lawsuits of RMB16,650,000, details of which are set out in Note VII43.

(b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Party being guaranteed	Type of guarantee	Type of responsibility	Guaranteed items	Guaranteed amount
MCC Capital Engineering & Research Incorporation Limited	CERI Yingkou Equipment Technology Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	302,600
Mortgage guarantees (note)					3,300,926

Note: The Group's subsidiaries in property development sector would provide mortgage guarantees to the property purchasers as it is a common practice in property development industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

(c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013.

XIII COMMITMENTS AND CONTINGENCIES *(Continued)*

2. Contingencies *(Continued)*

(1) Significant contingencies at the balance sheet date *(Continued)*

(c) Others *(Continued)*

In 2013, due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is made in these financial statements.

XIV EVENTS AFTER THE BALANCE SHEET DATE

1. Appropriation of profit after the balance sheet date

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

2. Other events after the balance sheet date

According to the resolutions reached at the tenth meeting and the eighteenth meeting of the second term of the board of directors of the Company, the Company proposes to issue no more than 2,548,716,883 A shares under the non-public issuance to specific investors not including the controlling shareholder, de facto controller of the Company or the related parties under their control. As of the approval date of these financial statements, the non-public issuance has been approved by the SASAC, but is still subject to the approvals from the securities regulatory authorities such as the CSRC, and the Shareholders' general meeting and shareholders' class meeting of the Company. As at 31 December 2015, the total number of shares of the Company was 19,110,000,000, of which 64.18% was held by CMGC, the controlling shareholder of the Company. Assuming that the number of A shares to be issued under the non-public issuance are 2,548,716,883 shares, upon the completion of the non-public issuance of A shares, the total number of shares of the Company will be 21,658,716,883, of which 56.63% will be held by CMGC. CMGC remains the controlling shareholder of the Company. As a result, the non-public issuance of A shares will not cause any change of the controlling shareholder of the Company.

FINANCIAL STATEMENTS

XV OTHER SIGNIFICANT ITEMS

1. Segment information

(1) *Accounting policies of the segment*

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

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

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

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

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

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

FINANCIAL STATEMENTS

XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

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

All amounts in RMB'000

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

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XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment (Continued)

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

All amounts in RMB'000

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

FINANCIAL STATEMENTS

XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(3) Other notes

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

All amounts in RMB'000

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

All amounts in RMB'000

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

- (b) The dependency on major customers

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

2. Net current assets and total assets less current liabilities

(1) Net current assets

All amounts in RMB'000

	Closing balance	Opening balance
Current assets	275,558,793	247,086,564
Less: Current liabilities	235,474,624	217,564,185
Net current assets	40,084,169	29,522,379

(2) Total assets less current liabilities

All amounts in RMB'000

	Closing balance	Opening balance
Total Assets	343,762,819	325,978,479
Less: Current liabilities	235,474,624	217,564,185
Total assets less current liabilities	108,288,195	108,414,294

FINANCIAL STATEMENTS

XV OTHER SIGNIFICANT ITEMS (Continued)

3. Earnings per share

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

All amounts in RMB'000

	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to shareholders of the Company	4,801,562	3,964,938
Including: Net profit from continuing operations	4,801,562	3,964,938
Less: Net profit belong to the perpetual bond holders	170,010	-
Net profit for the current year attributable to ordinary shareholders	<u>4,631,552</u>	<u>3,964,938</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	19,110,000	19,110,000
Add: Weighted average number of ordinary shares issued during the year	-	-
Less: Weighted average number of ordinary shares repurchased during the year	-	-
Number of ordinary shares outstanding at the end of the year	<u>19,110,000</u>	<u>19,110,000</u>

(3) Earnings per share

All amounts in RMB

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

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash:	107	227
RMB	35	157
USD	34	56
Others	38	14
Bank deposits:	2,727,040	7,025,723
RMB	2,278,821	6,964,181
USD	400,732	50,804
HKD	163	286
Others	47,324	10,452
Other cash and bank:	527	-
Others	527	-
Total	<u>2,727,674</u>	<u>7,025,950</u>

As at 31 December 2015, restricted cash and bank balances were guarantee deposits of RMB527,000 (as at 31 December 2014: nil).

2. Accounts receivable

(1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	151,693	63,691
1 to 2 years	40,369	51,774
2 to 3 years	5,613	34,127
3 to 4 years	37,893	87,239
4 to 5 years	114,525	65,604
Over 5 years	267,604	211,334
Total	<u>617,697</u>	<u>513,769</u>

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Book value		Closing balance		Carrying amount	Book value		Opening balance		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	-	-	-	-	-	-	-	-	-	-
Subject to provision by groups with credit risk	610,899	/	118,014	/	492,885	506,971	/	117,909	/	389,062
Group 1 (a)	118,382	19.17	118,014	99.69	368	118,382	23.04	117,909	99.60	473
Group 2	492,517	79.73	-	-	492,517	388,589	75.64	-	-	388,589
Accounts receivable which are individually insignificant but subject to provision individually	6,798	1.10	6,798	100.00	-	6,798	1.32	6,798	100.00	-
Total	617,697	/	124,812	/	492,885	513,769	/	124,707	/	389,062

(a) In Group 1, aging analysis of accounts receivable which are subject to provision for bad debts

All amounts in RMB'000

Aging	Book value	Closing balance		Proportion of provision (%)	Opening balance		Proportion of provision (%)
		Provision for bad debts	Proportion of provision (%)		Book value	Provision for bad debts	
Within 1 year	-	-	-	-	-	-	-
1 to 2 years	-	-	-	-	525	52	10.00
2 to 3 years	525	157	30.00	-	-	-	
3 to 4 years	-	-	-	-	-	-	
4 to 5 years	-	-	-	-	-	-	
Over 5 years	117,857	117,857	100.00	117,857	117,857	100.00	
Total	118,382	118,014	/	118,382	117,909	/	

(3) Provision for bad debts for the current year was RMB105,000, and there was no recovery or reversal of bad debts for the current year.

(4) There was no accounts receivable written off during the current year.

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(5) The top 5 largest accounts receivable at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Company	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the year
Party 1	Subsidiary	276,076	44.69	—
Party 2	Third Party	151,693	24.56	—
Party 3	Third Party	118,382	19.17	(118,014)
Party 4	Third Party	46,454	7.52	—
Party 5	Subsidiary	18,294	2.96	—
Total	/	610,899	98.90	(118,014)

(6) As at 31 December 2015, there was no accounts receivable derecognized due to the transfer of financial assets (as at 31 December 2014: nil).

3. Interest receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	1,880,024	1,269,588
Less: Provision for bad debts	325,609	314,027
Total	1,554,415	955,561

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

The name of investee	Closing balance	Opening balance
China 22MCC Group Co., Ltd.	286,166	286,166
CISDI Group Co., Ltd.	236,656	236,656
MCC Finance Corporation Ltd.	232,181	232,181
MCC Real Estate Group Co., Ltd.	222,122	-
MCC Communication Construction Group Co., Ltd.	219,366	-
WISDRI Engineering & Research Incorporation Limited	181,262	93,069
Shanghai Baoye Group Corp., Ltd.	136,263	-
MCC TianGong Group Corporation Limited	129,683	-
China ENFI Engineering Co., Ltd.	110,263	60,076
BERIS Group Corporation	92,167	92,167
China MCC 17 Group Co., Ltd.	54,379	55,983
MCC Capital Engineering & Research Incorporation Limited	44,648	-
MCC Baosteel Technology Services Co., Ltd.	44,623	-
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	37,046	-
Zhong Ye Chang Tian International Engineering Co., Ltd.	36,312	-
Huatian Engineering & Technology Corporation, MCC	35,228	-
China Metallurgical Construction Engineering Group Co., Ltd.	25,217	-
Northern Engineering & Technology Corporation, MCC	13,876	13,876
MCC Overseas Ltd.	13,134	6,705
MCC Tongsin Resources Ltd.	7,863	-
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	5,797
Shen Kan Engineering & Technology Corporation, MCC	2,384	-
China MCC 19 Group Co., Ltd.	4	-
MCC Hi-Tech Engineering Co., Ltd.	-	182,141
Total	2,166,640	1,264,817

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Dividends receivable (Continued)

(2) Dividends receivable aged over 1 year

All amounts in RMB'000

The name of investee	Closing balance	Aging	Reasons for not yet received	Impairment required
China 22MCC Group Co., Ltd.	286,166	1-3 years	Announced but not paid	No
CISDI Group Co., Ltd.	236,656	2-3 years	Announced but not paid	No
MCC Finance Corporation Ltd.	232,181	2-3 years	Announced but not paid	No
MCC Communication Construction Group Co., Ltd.	182,141	1-3 years	Announced but not paid	
WISDRI Engineering & Research Incorporation Limited	93,069	2-3 years	Announced but not paid	No
BERIS Group Corporation	92,167	1-3 years	Announced but not paid	
China ENFI Engineering Co., Ltd.	60,076	1-3 years	Announced but not paid	No
China MCC 17 Group Co., Ltd.	54,379	1-2 years	Announced but not paid	
Northern Engineering & Technology Corporation, MCC	13,876	2-3 years	Announced but not paid	No
MCC Overseas Ltd.	6,705	2-3 years	Announced but not paid	No
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	3-4 years	Announced but not paid	No
Total	<u>1,263,213</u>	/	/	/

5. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	3,014,436	18,347,429
1 to 2 years	18,069,543	4,006,292
2 to 3 years	3,827,221	4,033,985
3 to 4 years	4,031,675	5,505,921
4 to 5 years	5,500,551	305,423
Over 5 years	356,433	51,895
Total	<u>34,799,859</u>	<u>32,250,945</u>

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Book value		Closing balance		Carrying amount	Book value		Opening balance		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually(a)	9,179,500	26.38	6,117,997	66.65	3,061,503	9,078,998	28.15	5,802,287	63.91	3,276,711
Subject to provision by groups with credit risk	25,568,464	/	-	/	25,568,464	23,120,052	/	-	/	23,120,052
Group 1	-	-	-	-	-	-	-	-	-	-
Group 2	25,568,464	73.47	-	-	25,568,464	23,120,052	71.69	-	-	23,120,052
Other receivables which are individually insignificant but subject to provision individually	51,895	0.15	51,895	100.00	-	51,895	0.16	51,895	100.00	-
Total	34,799,859	/	6,169,892	/	28,629,967	32,250,945	/	5,854,182	/	26,396,763

(a) At the end of the year, analysis of other receivables which are individually significant and subject to provision for bad debts individually

All amounts in RMB'000

Other receivables (per entity)	Book value	Closing balance		Reasons
		Provision for bad debts	Proportion of provision (%)	
MCC Mining (Western Australia) Pty Ltd.	6,778,890	3,719,055	54.86	Discounted amount of future cash flows is less than the original book value.
MCC Australia Holding Pty Ltd.	2,400,610	2,398,942	99.93	
Total	9,179,500	6,117,997	/	/

(3) Provision for bad debts for the current year was RMB315,710,000, and there was no recovery or reversal of bad debts for the current year.

(4) There were no other receivables written off during the current year.

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(5) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	Closing book value	Opening book value
Subsidiaries of the Company	34,747,386	32,185,521
Guarantees and deposits	51,920	52,811
Others	553	12,613
Total	34,799,859	32,250,945

(6) The top 5 largest other receivables at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the year
Party 1	Subsidiaries	Others Others/Advance	18,075,713	Within 5 years	51.93	-
Party 2	Subsidiaries	Money	6,778,890	Within 4 years	19.48	3,719,055
Party 3	Subsidiaries	Others	2,848,968	Within 3 years	8.19	-
Party 4	Subsidiaries	Others	2,400,610	Within 5 years	6.90	2,398,942
Party 5	Subsidiaries	Others	850,870	Over 5 years	2.45	-
Total	/	/	30,955,051	/	88.95	6,117,997

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Discount rate interval
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount	
Receivables from related parties and third parties	5,538,269	141,828	5,396,441	11,494,098	150,522	11,343,576	/
Others	2,037	-	2,037	10,040	-	10,040	/
Total	5,540,306	141,828	5,398,478	11,504,138	150,522	11,353,616	/
Less: Long term receivables due within one year	2,806,017	-	2,806,017	6,780,040	-	6,780,040	/
Long term receivables due after one year	2,734,289	141,828	2,592,461	4,724,098	150,522	4,573,576	/

As at 31 December 2015, due to exchange realignment, the carrying amount of long-term receivable from MCC Mining (Western Australia) Pty Ltd. and the provision for bad debts decreased by RMB8,694,000 (as at 31 December 2014: decreased by RMB12,381,000).

7. Long-term equity investments

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	74,516,738	175,034	74,341,704	72,724,372	175,034	72,549,338
Joint ventures and associates	960,617	113,146	847,471	113,146	113,146	-
Total	75,477,355	288,180	75,189,175	72,837,518	288,180	72,549,338

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

(1) Subsidiaries

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year	Closing Balance net of provision
Anshan Coking and Refractory Engineering Consulting Corporation	96,608	-	-	96,608	-	-	96,608
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,801,938	-	-	1,801,938	-	-	1,801,938
Northern Engineering & Technology Corporation, MCC	756,885	-	-	756,885	-	-	756,885
Anshan Engineering & Research Incorporation of Metallurgical Industry	69,386	-	-	69,386	-	-	69,386
China MCC 3 Group Co., Ltd.	900,096	-	-	900,096	-	-	900,096
Shen Kan Engineering & Technology Corporation, MCC(b)	67,058	117,914	-	184,972	-	-	184,972
MCC Overseas Ltd.	146,518	329,126	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd. (a)	2,677,711	916,644	-	3,594,355	-	-	3,594,355
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Limited	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,351,790	-	-	1,351,790	-	-	1,351,790
MCC Tongsin Resources Ltd.	3,462,899	-	-	3,462,899	-	-	3,462,899
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	6,799,653	-	-	6,799,653	-	-	6,799,653
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	370,541	-	-	370,541	-	-	370,541
MCC Real Estate Group Co., Ltd.	3,914,517	-	-	3,914,517	-	-	3,914,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,015,650	-	-	2,015,650	-	-	2,015,650
China 22MCC Group Co., Ltd.	3,407,199	-	-	3,407,199	-	-	3,407,199

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year	Closing Balance net of provision
BERIS Group Corporation	774,227	-	-	774,227	-	-	774,227
China ENFI Engineering Co., Ltd.	4,310,884	-	-	4,310,884	-	-	4,310,884
China Second Metallurgical Group Corporation Limited	662,835	-	-	662,835	-	-	662,835
Central Research Institute of Building and Construction Co., Ltd., MCC Group	2,103,939	-	-	2,103,939	-	-	2,103,939
China Huaye Group Co., Ltd.	2,257,137	-	-	2,257,137	-	-	2,257,137
Beijing MCC Equipment Research & Design Corporation Ltd.	473,303	-	-	473,303	-	-	473,303
CISDI Group Co., Ltd.	4,368,886	-	-	4,368,886	-	-	4,368,886
China MCC 5 Group Co., Ltd.	1,601,842	492,899	-	2,094,741	-	-	2,094,741
China Metallurgical Construction Engineering Group Co., Ltd.	1,185,910	-	-	1,185,910	-	-	1,185,910
China MCC 19 Group Co., Ltd.	2,304,357	-	-	2,304,357	-	-	2,304,357
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	1,591,180	-	-	1,591,180	-	-	1,591,180
MCC Baosteel Technology Services Co., Ltd.	1,091,924	-	-	1,091,924	-	-	1,091,924
China MCC 20 Group Co., Ltd.	1,680,279	-	-	1,680,279	-	-	1,680,279
Shanghai Baoye Group Corp., Ltd.	3,787,511	-	-	3,787,511	-	-	3,787,511
Huatian Engineering & Technology Corporation, MCC(c)	1,321,000	61,421	-	1,382,421	-	-	1,382,421
China MCC 17 Group Co., Ltd.	1,013,593	650,150	-	1,663,743	-	-	1,663,743
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
Wuhan Iron and Steel Design & Research Incorporation Limited	234,734	-	-	234,734	-	-	234,734

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year	Closing Balance net of provision
WISDRI Engineering & Research Incorporation Limited	5,158,678	-	-	5,158,678	-	-	5,158,678
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd.	824,010	-	-	824,010	-	-	824,010
Changsha Metallurgical Design & Research Institute Co., Ltd.	167,120	-	-	167,120	-	-	167,120
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	223,777	-	-	223,777	-	-	223,777
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	-	-	1,110,635	-	-	1,110,635
MCC Mining (Western Australia) Pty Ltd.	126,807	-	-	126,807	-	126,807	-
MCC Australia Holding Pty Ltd.	48,227	-	-	48,227	-	48,227	-
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Northeast Construction & Development Co., Ltd.	-	305,191	-	305,191	-	-	-
MCC Hi-Tech Engineering Co., Ltd. (a)	916,644	-	916,644	-	-	-	-
Shenyang Institute of Geotechnical Investigation Corporation, MCC(b)	102,914	-	102,914	-	-	-	-
MCC Maanshan I&S Design and Research Institute Co., Ltd. (c)	61,421	-	61,421	-	-	-	-
Total	72,724,372	2,873,345	1,080,979	74,516,738	-	175,034	74,341,704

(a) For the current year, the Company used its equity interest in MCC Hi-Tech Engineering Co., Ltd. as capital injection into MCC Communication Construction Group Co., Ltd., both of these two companies are subsidiaries of the Company.

(b) For the current year, the Company used cash and its equity interest in Shenyang Institute of Geotechnical Investigation Corporation, MCC as capital injection into Shen Kan Engineering & Technology Corporation, MCC, both of these two companies are subsidiaries of the Company.

(c) For the current year, the Company used its equity interest in MCC Maanshan I&S Design and Research Institute Co., Ltd. as capital injection into Huatian Engineering & Technology Corporation, MCC, both of these two companies are subsidiaries of the Company.

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Opening balance net of provision	Increasing investments	Decreasing investments	Movements during the current year			Declaration of cash dividends	Provision for impairment for the current year	Other	Closing balance net of provision	Impairment Provision at the end of the year
				Share of (losses)/ profits	Other comprehensive income	Other equity movements					
MCC International Investment Development Co., Ltd.	-	600,000	-	18	-	-	-	-	-	600,018	-
Zhongshan Finance Investment Holdings Co., Ltd.	-	200,000	-	643	-	-	-	-	-	200,643	-
MCC Jianxin Investment Fund Management Co., Ltd.	-	25,000	-	61	-	-	-	-	-	25,061	-
MCC South China (Shenzhen) Investment Development Co., Ltd.	-	12,000	-	144	-	-	-	-	-	12,144	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	-	10,000	-	(395)	-	-	-	-	-	9,605	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
Total	-	847,000	-	471	-	-	-	-	-	847,471	113,146

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

8. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Credit loans:	11,120,689	8,378,860
RMB	9,845,612	7,769,855
USD	900,468	293,712
Others	374,609	315,293
Total	11,120,689	8,378,860

(2) As at 31 December 2015, there were no significant short-term borrowings overdue but not yet paid.

(3) As at 31 December 2015, the weighted average interest rate of short-term borrowings was 4.50% per annum (as at 31 December 2014: 5.47% per annum).

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries	7,540,928	10,246,963
Other related parties within CMGC	368,471	368,471
Others	153,454	82,214
Total	8,062,853	10,697,648

(2) At the end of the year, the Company had no significant other payables aged over 1 year.

10. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note XVI11)	5,097,290	2,399,520
Long-term employee benefits due within one year	2,645	2,580
Long-term payable within one year	78,980	-
Bonds payable due within one year	-	4,722,403
Total	5,178,915	7,124,503

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Long-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Mortgaged loans(a):	1,142,460	–
RMB	1,142,460	–
Guaranteed loans (b):	180,000	240,000
RMB	180,000	240,000
Credit loans:	6,546,271	7,563,454
RMB	3,050,000	5,292,460
USD	3,496,271	2,270,994
Total	7,868,731	7,803,454
Less: Long-term borrowings due within one year (Note XVI10):	5,097,290	2,399,520
Including: Mortgaged loans	342,460	–
Guaranteed loans	80,000	60,000
Credit loans	4,674,830	2,339,520
Long-term borrowings due over one year	2,771,441	5,403,934

(a) As at 31 December 2015, borrowings of RMB1,142,460,000 (as at 31 December 2014: Nil) were secured by the mortgage of inventory in an aggregate amount of RMB1,654,544,000 (as at 31 December 2014: Nil) of a subsidiary of the Company, China 22MCC Group Co., Ltd.

(b) As at 31 December 2015, certain guaranteed loans of RMB180,000,000 (as at 31 December 2014: RMB240,000,000) were guaranteed by a subsidiary of the Company, MCC Finance Corporation Ltd.

(c) As at 31 December 2015, the weighted average interest rate of long-term borrowings was 4.60% per annum (as at 31 December 2014: 5.34% per annum).

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. 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	1,821,330	1,756,330	1,455,431	1,452,440
Other business	250,309	118,773	–	–
Total	<u>2,071,639</u>	<u>1,875,103</u>	<u>1,455,431</u>	<u>1,452,440</u>

(a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Engineering contracting	1,753,698	1,448,336
Others	67,632	7,095
Total	<u>1,821,330</u>	<u>1,455,431</u>

(b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
China	67,632	–
Other countries/regions	1,753,698	1,455,431
Total	<u>1,821,330</u>	<u>1,455,431</u>

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Operating revenues and operating costs (Continued)

(c) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	1,725,421	83.29

13. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	318,703	15,173
Including: Accounts receivable bad debts	105	8,909
Other accounts receivable bad debts	315,710	17,961
2. Impairment loss on long-term equity investments	-	14,586
Total	318,703	29,759

14. Investment Income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Investment incomes under cost method	2,226,951	2,143,291
Investment incomes under equity method	471	(40)
Total	2,227,422	2,143,251

There is no major restriction of investment income repatriation to the Company.

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

15. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	1,693,232	1,088,903
Add: Provision for impairment losses of assets	318,703	29,759
Depreciation of fixed assets and amortization of investment properties	3,293	12,397
Amortization of intangible assets	2,640	2,636
(Gains) losses on disposal of fixed assets, intangible assets and other long-term assets	(173,453)	33
Losses on written-off of fixed assets	-	7
Financial expenses	307,146	868,945
Gains arising from investments	(2,227,422)	(2,143,251)
Decrease (increase) in inventories	195,081	(580,010)
Decrease in receivables from operating activities	195,814	374,026
Increase (decrease) in payables from operating activities	(182,845)	237,293
Others	(527)	186,141
	131,662	76,879
2. Net changes in cash and cash equivalents:		
Closing balance of cash	2,727,147	7,025,950
Less: Opening balance of cash	7,025,950	6,494,604
	(4,298,803)	531,346

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

15. Supplementary information to the cash flow statement (Continued)

(2) Cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	2,727,147	7,025,950
Including: Cash on hand	107	227
Bank deposits without restriction	2,727,040	7,025,723
Other monetary funds without restriction	–	–
II. Cash equivalents	–	–
Including: Investments in debt securities due within three months	–	–
III. Closing balance of cash and cash equivalents	<u>2,727,147</u>	<u>7,025,950</u>

16. Related party relationships and transactions

(1) The basic information of the parent and the ultimate controlling party, see Note XII 1.

(2) The basic information of the subsidiaries, see Note IX 1.

(3) Associates and joint ventures

Associates and joint ventures	Place of operating	Place of establishment	Nature of business	Proportion of ownership interest held by the Company (%)		Accounting method
				Direct	Indirect	
Zhongshan Finance Investment Holdings Co., Ltd.	Guangdong	Guangdong	Investment and asset management	20.00	–	Equity method
MCC Jianxin Investment Fund Management Co., Ltd.	Beijing	Beijing	Non-securities investment management, consulting	50.00	–	Equity method
MCC-Huafa Integrated Pipe Network Co., Ltd.	Guangdong	Guangdong	Municipal pipeline design and construction	50.00	–	Equity method
MCC Xiangxi Mining Industry Co., Ltd.	Hunan	Hunan	Mineral products processing and sales	50.00	–	Equity method

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions

(a) Sales and purchase of goods, provision and receipt of services

(i) Purchase of goods/receipt of services

All amounts in RMB'000

Related party	Details of related party transaction	Amount for the current year	Amount for the prior year
China MCC 17 Group Co., Ltd.	Subcontracting expenses	1,725,421	1,422,257
BERIS Group Corporation	Subcontracting expenses	–	4,609
Beijing MCC Equipment Research & Design Corporation Ltd.	Subcontracting expenses	–	924
Total		<u>1,725,421</u>	<u>1,427,790</u>

(ii) Sales of goods/provision of services

All amounts in RMB'000

Related party	Details of related party transaction	Amount for the current year	Amount for the prior year
MCC Communication Construction Group Co., Ltd.	Project management service	67,632	–
Total		<u>67,632</u>	<u>–</u>

(b) Borrowings/loans with related parties

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
Borrowed from:		
MCC Finance Corporation Ltd.	4,700,000	8,150,000
MCC Holding (Hong Kong) Corporation Limited	791,156	845,310
Metallurgical Group Corporation	–	300,000
Total	<u>5,491,156</u>	<u>9,295,310</u>

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(b) Borrowings/loans with related parties (Continued)

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
Lend to:		
MCC Communication Construction Group Co., Ltd.	4,000,000	–
MCC Real Estate Group Co., Ltd.	3,217,780	7,847,377
China Huaye Group Co., Ltd.	1,393,202	824
China 22MCC Group Co., Ltd.	700,000	1,322,460
BERIS Group Corporation	675,032	420,297
China Second Metallurgical Group Corporation Limited	570,000	–
China MCC 20 Group Co., Ltd.	450,000	–
MCC-SFRE Heavy Industry Equipment Co., Ltd.	419,150	474,000
MCC Northeast Construction & Development Co., Ltd.	200,000	100,000
MCC TianGong Group Corporation Limited	150,000	–
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	114,068	120,850
MCC Mining (Western Australia) Pty Ltd.	14,535	416,105
China MCC 3 Group Co., Ltd.	2,997	748,952
China First Metallurgical Group Co., Ltd.	146	–
Central Research Institute of Building and Construction Co., Ltd., MCC Group	12	800,918
China MCC 17 Group Co., Ltd.	–	1,800,930
MCC Capital Engineering & Research Incorporation Ltd.	–	725,484
MCC-JJJ Mining Development Company Limited	–	686,543
MCC Hi-Tech Engineering Co., Ltd.	–	580,000
MCC Australia Holding Pty Ltd.	–	259,674
MCC Overseas Ltd.	–	170,000
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	–	30,000
Total	11,906,922	16,504,414

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.20% to 8%.

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(c) Leases with related parties

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
China Metallurgical Group Corporation	16,162	16,158
Total	16,162	16,158

(d) Guarantees with related parties

All amounts in RMB'000

Guaranteed party	Guaranteed item	Guaranteed amount	Guaranteed period	Whether execution of guarantee has been completed	Inception date of guarantee	Expiration date of guarantee
MCC Holding (Hong Kong) Corporation Limited	Borrowings	3,246,800	3 years	No	2014-08-28	2017-08-28
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Borrowings	2,358,000	24 years	No	2008-01-08	2032-01-07
MCC Ramu NiCo., Ltd.	Borrowings	566,240	9 years	No	2008-03-26	2017-04-12
MCC-JJJ Mining Development Company Limited	Borrowings	350,000	9 years	No	2008-03-26	2017-04-12
BERIS Group Corporation	Borrowings	300,000	1 year	No	2015-05-18	2016-05-18
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Borrowings	100,000	5 years	No	2012-07-12	2017-03-30
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Borrowings	40,000	7 years	No	2009-05-11	2016-05-11
Total	/	6,961,040	/	/	/	/

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(e) Other related party transactions

(i) Interest incomes

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
MCC Real Estate Group Co., Ltd.	1,639,248	1,447,024
China 22MCC Group Co., Ltd.	188,146	144,231
MCC-JJJ Mining Development Company Limited	97,865	156,148
China MCC 20 Group Co., Ltd.	85,969	97,387
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	51,291	40,525
BERIS Group Corporation	48,234	16,437
MCC Communication Construction Group Co., Ltd.	46,985	4,589
MCC-SFRE Heavy Industry Equipment Co., Ltd.	30,145	13,509
China ENFI Engineering Co., Ltd.	27,025	42,948
China Huaye Group Co., Ltd.	25,435	43,365
Central Research Institute of Building and Construction Co., Ltd., MCC Group	22,045	13,490
Huatian Engineering & Technology Corporation, MCC	17,167	27,433
China Second Metallurgical Group Corporation Limited	14,462	4,761
China MCC International Economic and Trade Co., Ltd.	13,554	14,109
China First Metallurgical Group Co., Ltd.	13,457	18,792
China MCC 3 Group Co., Ltd.	12,740	14,097
MCC TianGong Group Corporation Limited	10,930	13,574
China Metallurgical Construction Engineering Group Co., Ltd.	7,438	11,319
China MCC 19 Group Co., Ltd.	6,626	9,851
China MCC 5 Group Co., Ltd.	5,828	11,760

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(4) Related party transactions (Continued)

(e) Other related party transactions (Continued)

(i) Interest incomes (Continued)

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
MCC Capital Engineering & Research Incorporation Limited	5,226	12,731
MCC Northeast Construction & Development Co., Ltd.	4,835	17
China MCC 17 Group Co., Ltd.	2,855	6,367
MCC Finance Corporation Ltd.	2,475	3,104
WISDRI Engineering & Research Incorporation Limited	1,511	3,116
Beijing MCC Equipment Research & Design Corporation Ltd.	509	777
MCC Hi-Tech Engineering Co., Ltd.	-	26,954
Shanghai Baoye Group Corp., Ltd.	-	2,675
Zhong Ye Chang Tian International Engineering Co., Ltd.	-	514
MCC Tongsin Resources Ltd.	-	233
Shen Kan Engineering & Technology Corporation, MCC	-	134
Total	2,382,001	2,201,971
(ii) Interest expenses		

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
MCC Holding (Hong Kong) Corporation Limited	100,570	20,858
MCC Finance Corporation Ltd.	70,567	175,543
China Metallurgical Group Corporation	21,532	6,697
Total	192,669	203,098

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party

(a) Receivables

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	MCC Mining (Western Australia) Pty Ltd.	276,076	-	260,150	-
Accounts receivable	China MCC International Economic and Trade Co., Ltd.	18,294	-	18,294	-
Total		294,370	-	278,444	-
Other receivables	MCC Real Estate Group Co., Ltd.	18,075,713	-	16,532,932	-
Other receivables	MCC Mining (Western Australia) Pty Ltd.	6,778,890	3,719,055	6,754,053	3,719,055
Other receivables	China 22MCC Group Co., Ltd.	2,848,968	-	2,253,965	-
Other receivables	MCC Australia Holding Pty Ltd.	2,400,610	2,398,942	2,324,945	2,083,232
	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	850,870	-	741,802	-
Other receivables	BERIS Group Corporation	825,044	-	644,968	-
Other receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	682,150	-	454,000	-
	MCC Communication Construction Group Co., Ltd.	668,582	-	35,767	-
Other receivables	China Huaye Group Co., Ltd.	425,065	-	241,863	-
	China MCC International Economic and Trade Co., Ltd.	240,831	-	240,831	-
Other receivables	CISDI Group Co., Ltd.	200,000	-	200,000	-
Other receivables	China First Metallurgical Group Co., Ltd.	146,450	-	146,050	-
	Beijing MCC Equipment Research & Design Corporation Ltd.	144,627	-	144,562	-
	MCC-JJJ Mining Development Company Limited	80,000	-	80,000	-
Other receivables	MCC Overseas Ltd.	75,293	-	71,874	-
Other receivables	MCC Tongsin Resources Ltd.	66,187	-	66,187	-
Other receivables	Shanghai Baoye Group Corp., Ltd.	56,607	-	56,602	-
Other receivables	China MCC 3 Group Co., Ltd.	52,871	-	249,874	-

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	China MCC 20 Group Co., Ltd.	38,720	-	34,428	-
Other receivables	MCC Baosteel Technology Services Co., Ltd.	32,476	-	32,476	-
Other receivables	MCC International Incorporation Ltd.	23,620	-	25,469	-
Other receivables	MCC Capital Engineering & Research Incorporation Limited	20,000	-	20,000	-
Other receivables	Huatian Engineering & Technology Corporation, MCC	5,000	-	5,000	-
Other receivables	China MCC 17 Group Co., Ltd.	2,669	-	3,541	-
Other receivables	China Metallurgical Construction Engineering Group Co., Ltd.	2,000	-	2,000	-
Other receivables	China MCC 19 Group Co., Ltd.	1,940	-	1,936	-
Other receivables	MCC TianGong Group Corporation Limited	1,248	-	1,248	-
Other receivables	Shen Kan Engineering & Technology Corporation, MCC	600	-	2,000	-
Other receivables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	310	-	310	-
Other receivables	China MCC 5 Group Co., Ltd.	45	-	45	-
Other receivables	MCC Hi-Tech Engineering Co., Ltd.	-	-	808,969	-
Other receivables	Northern Engineering & Technology Corporation, MCC	-	-	6,306	-
Other receivables	Central Research Institute of Building and Construction Co., Ltd., MCC Group	-	-	918	-
Other receivables	Shenyang Institute of Geotechnical Investigation Corporation, MCC	-	-	600	-
Total		<u>34,747,386</u>	<u>6,117,997</u>	<u>32,185,521</u>	<u>5,802,287</u>

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Prepayments	China MCC International Economic and Trade Co., Ltd.	5,120	-	5,120	-
Prepayments	BERIS Group Corporation	4,693	-	4,693	-
Total		9,813	-	9,813	-
Interest receivable	MCC Real Estate Group Co., Ltd.	538,727	-	47,408	-
Interest receivable	MCC Mining (Western Australia) Pty Ltd.	381,944	-	380,334	-
Interest receivable	MCC Australia Holding Pty Ltd.	325,609	325,609	314,027	314,027
Interest receivable	China 22MCC Group Co., Ltd.	251,887	-	155,270	-
Interest receivable	China Huaye Group Co., Ltd.	177,319	-	155,858	-
Interest receivable	MCC Tongsin Resources Ltd.	69,188	-	65,239	-
Interest receivable	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	51,291	-	86,068	-
Interest receivable	MCC Communication Construction Group Co., Ltd.	27,807	-	25,994	-
Interest receivable	China MCC International Economic and Trade Co., Ltd.	27,663	-	14,109	-
Interest receivable	Central Research Institute of Building and Construction Co., Ltd., MCC Group	12,892	-	13,038	-
Interest receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	8,657	-	839	-
Interest receivable	China MCC 3 Group Co., Ltd.	4,564	-	1,680	-
Interest receivable	China MCC 20 Group Co., Ltd.	1,340	-	2,184	-
Interest receivable	MCC Overseas Ltd.	1,136	-	1,136	-
Interest receivable	MCC Hi-Tech Engineering Co., Ltd.	-	-	1,543	-
Interest receivable	China ENFI Engineering Co., Ltd.	-	-	1,225	-
Interest receivable	Huatian Engineering & Technology Corporation, MCC	-	-	811	-

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Interest receivable	BERIS Group Corporation	-	-	778	-
Interest receivable	China First Metallurgical Group Co., Ltd.	-	-	504	-
Interest receivable	MCC TianGong Group Corporation Limited	-	-	328	-
Interest receivable	MCC Capital Engineering & Research Incorporation Limited	-	-	328	-
Interest receivable	China Metallurgical Construction Engineering Group Co., Ltd.	-	-	285	-
Interest receivable	China MCC 5 Group Co., Ltd.	-	-	274	-
Interest receivable	China MCC 17 Group Co., Ltd.	-	-	131	-
Interest receivable	China Second Metallurgical Group Corporation Limited	-	-	131	-
Interest receivable	WISDRI Engineering & Research Incorporation Limited	-	-	66	-
Total		1,880,024	325,609	1,269,588	314,027
Long-term receivables	MCC-JJJ Mining Development Company Limited	2,212,461	-	2,114,596	-
Long-term receivables	Central Research Institute of Building and Construction Co., Ltd., MCC Group	300,000	-	315,110	-
Long-term receivables	MCC Mining (Western Australia) Pty Ltd.	141,828	141,828	150,522	150,522
Long-term receivables	China MCC International Economic and Trade Co., Ltd.	80,000	-	80,000	-
Long-term receivables	MCC Real Estate Group Co., Ltd.	-	-	2,000,000	-
Long-term receivables	China ENFI Engineering Co., Ltd.	-	-	46,730	-
Long-term receivables	Beijing MCC Equipment Research & Design Corporation Ltd.	-	-	11,670	-
Long-term receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	-	-	5,470	-
Total		2,734,289	141,828	4,724,098	150,522

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Non-current assets due in one year	China 22MCC Group Co., Ltd.	1,275,000	-	1,275,000	-
Non-current assets due in one year	MCC Real Estate Group Co., Ltd.	1,100,000	-	675,000	-
Non-current assets due in one year	China MCC 20 Group Co., Ltd.	300,000	-	1,250,000	-
Non-current assets due in one year	BERIS Group Corporation	50,000	-	50,000	-
Non-current assets due in one year	China ENFI Engineering Co., Ltd.	46,730	-	820,000	-
Non-current assets due in one year	Central Research Institute of Building and Construction Co., Ltd., MCC Group	15,110	-	150,000	-
Non-current assets due in one year	Beijing MCC Equipment Research & Design Corporation Ltd.	11,670	-	-	-
Non-current assets due in one year	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,470	-	-	-
Non-current assets due in one year	Huatian Engineering & Technology Corporation, MCC	-	-	550,000	-
Non-current assets due in one year	China First Metallurgical Group Co., Ltd.	-	-	350,000	-
Non-current assets due in one year	MCC TianGong Group Corporation Limited	-	-	250,000	-
Non-current assets due in one year	MCC Capital Engineering & Research Incorporation Limited	-	-	250,000	-
Non-current assets due in one year	China MCC 5 Group Co., Ltd.	-	-	200,000	-
Non-current assets due in one year	China Metallurgical Construction Engineering Group Co., Ltd.	-	-	200,000	-
Non-current assets due in one year	China MCC 19 Group Co., Ltd.	-	-	200,000	-
Non-current assets due in one year	China Huaye Group Co., Ltd.	-	-	100,000	-
Non-current assets due in one year	China MCC 3 Group Co., Ltd.	-	-	100,000	-
Non-current assets due in one year	China Second Metallurgical Group Corporation Limited	-	-	100,000	-
Non-current assets due in one year	China MCC 17 Group Co., Ltd.	-	-	100,000	-
Non-current assets due in one year	MCC Hi-Tech Engineering Co., Ltd.	-	-	50,000	-
Non-current assets due in one year	MCC Communication Construction Group Co., Ltd.	-	-	50,000	-
Non-current assets due in one year	WISDRI Engineering & Research Incorporation Limited	-	-	50,000	-
Total		2,803,980	-	6,770,000	-

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables

All amounts in RMB'000

Items	Related party	Closing balance	Opening balance
Short-term borrowings	MCC Finance Corporation Ltd.	1,410,000	2,500,000
Total		1,410,000	2,500,000
Accounts Payable	China MCC 17 Group Co., Ltd.	386,061	370,312
Accounts Payable	China MCC 20 Group Co., Ltd.	141,816	141,816
Accounts Payable	China 22MCC Group Co., Ltd.	55,689	55,689
Accounts Payable	Northern Engineering & Technology Corporation, MCC	44,253	13,908
Accounts Payable	BERIS Group Corporation	37,625	37,625
Accounts Payable	MCC Overseas Ltd.	11,141	11,141
Accounts Payable	MCC Capital Engineering & Research Incorporation Limited	8,347	58,417
Accounts Payable	Zhong Ye Chang Tian International Engineering Co., Ltd.	5,832	5,832
Accounts Payable	Beijing MCC Equipment Research & Design Corporation Ltd.	77	77
Accounts Payable	China MCC International Economic and Trade Co., Ltd.	–	160
Total		690,841	694,977

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance	Opening balance
Other payables	MCC Holding (Hong Kong) Corporation Limited	1,358,284	1,731,125
Other payables	China First Metallurgical Group Co., Ltd.	1,180,783	211,723
Other payables	China MCC 19 Group Co., Ltd.	394,036	366,939
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	China 13th Metallurgical Construction Corporation	365,147	405,719
Other payables	China 22MCC Group Co., Ltd.	356,562	391,631
Other payables	China MCC 20 Group Co., Ltd.	338,941	2,338,941
Other payables	China Huaye Group Co., Ltd.	319,828	262,892
Other payables	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	313,935	4,225
Other payables	China Second Metallurgical Group Corporation Limited	299,358	299,358
Other payables	Central Research Institute of Building and Construction Co., Ltd., MCC Group	250,407	106,267
Other payables	China Metallurgical Construction Engineering Group Co., Ltd.	242,798	269,776
Other payables	China MCC 3 Group Co., Ltd.	240,742	243,976
Other payables	China MCC 5 Group Co., Ltd.	239,997	239,997
Other payables	Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	212,660	212,660
Other payables	CISDI Group Co., Ltd.	208,947	232,046
Other payables	MCC Communication Construction Group Co., Ltd.	200,000	1,800,000
Other payables	Changsha Metallurgical Design & Research Institute Co., Ltd.	176,306	176,306
Other payables	Anshan Engineering & Research Incorporation of Metallurgical Industry	115,654	132,049
Other payables	China ENFI Engineering Co., Ltd.	102,025	113,361
Other payables	Wuhan Iron and Steel Design & Research Incorporation Limited	90,702	90,702
Other payables	MCC Capital Engineering & Research Incorporation Limited	88,386	68,590
Other payables	Shanghai Baoye Group Corp., Ltd.	75,368	83,470
Other payables	Anshan Coking and Refractory Engineering Consulting Corporation	49,029	54,477
Other payables	BERIS Group Corporation	46,943	46,943
Other payables	MCC Baosteel Technology Services Co., Ltd.	41,821	36,865
Other payables	Beijing MCC Equipment Research & Design Corporation Ltd.	41,615	44,774

FINANCIAL STATEMENTS

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

16. Related party relationships and transactions (Continued)

(5) Payables and receivables of related party (Continued)

(b) Payables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance	Opening balance
Other payables	MCC Mining (Western Australia) Pty Ltd.	32,582	34,579
Other payables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	32,547	36,164
Other payables	Shen Kan Engineering & Technology Corporation, MCC	27,039	38
Other payables	WISDRI Engineering & Research Incorporation Limited	24,101	24,101
Other payables	MCC Overseas Ltd.	21,559	22,579
Other payables	MCC Australia Holding Pty Ltd.	19,385	20,573
Other payables	China MCC 17 Group Co., Ltd.	15,366	16,970
Other payables	MCC Tongsin Resources Ltd.	9,236	16,796
Other payables	MCC International Incorporation Ltd.	5,549	4,249
Other payables	Northern Engineering & Technology Corporation, MCC	2,169	2,330
Other payables	Zhong Ye Chang Tian International Engineering Co., Ltd.	663	663
Other payables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	377	377
Other payables	MCC TianGong Group Corporation Limited	78	78
Other payables	Ramu NiCo Management (MCC) Limited	3	3
Other payables	MCC-JJJ Mining Development Company Limited	–	72,490
Other payables	Shenyang Institute of Geotechnical Investigation Corporation, MCC	–	30,161
Total		<u>7,909,399</u>	<u>10,615,434</u>
Interest payable	MCC Holding (Hong Kong) Corporation Limited	123,485	20,857
Total		<u>123,485</u>	<u>20,857</u>
Non-current liabilities due within one year	Metallurgical Group Corporation	78,980	–
Total		<u>78,980</u>	<u>–</u>
Long-term payables	Metallurgical Group Corporation	300,000	378,980
Total		<u>300,000</u>	<u>378,980</u>

FINANCIAL STATEMENTS

XVII SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current year
Profit or loss on disposal of non-current assets	179,788
Government grants recognized in profit or loss (except for the government grants that are closely related to the business of the Company and received in accordance with the uniform state's regulations.)	676,858
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, association of subsidiaries, associates and joint ventures	90,147
Other non-operating income or expenses other than the above items	257,577
Change of fair value of financial assets (liabilities) at FVTPL and profit or loss of disposal of financial assets (liabilities) at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under the company's normal operating business	56,681
Profit or loss on disposal of long-term equity investments	107,478
Impact on income tax	(156,101)
Impact on non-controlling interests	(231,600)
Total	<u>980,828</u>

For the current year, none of the non-recurring profit or loss listed in <Explanatory Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Profit and Loss> was classified as recurring profit or loss by the Group.

2. Return on net assets and earnings per share ("EPS")

Profit during the reporting period	Weighted average rate of return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	9.46	0.24	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	<u>7.45</u>	<u>0.19</u>	<u>Not applicable</u>

OTHER FINANCIAL DATA

The financial highlights of the Company prepared in accordance with the Chinese Accounting Standards for Business Enterprises are as follows:

Unit: RMB'000

Item	2015	2014	2013	2012	2011
Operating revenue	217,323,972	215,785,772	202,690,241	221,119,698	230,178,204
Operating costs	188,817,361	187,884,556	175,112,261	195,173,148	202,743,928
Business taxes and levies	5,597,162	5,712,644	5,723,373	6,210,830	6,156,489
Selling expenses	1,512,225	1,500,231	1,617,470	1,655,765	1,835,822
Administrative expenses	10,067,076	9,108,267	9,449,306	9,802,839	9,791,872
Financial expenses	2,526,563	4,022,637	4,459,771	4,345,260	3,812,861
Impairment losses of assets	4,569,534	3,298,384	2,288,782	15,768,210	1,648,265
Investment income	1,735,160	1,053,667	342,812	3,544,076	1,132,286
Operating profit	5,938,766	5,290,247	4,421,445	(8,292,055)	5,322,737
Non-operating income	1,375,811	1,699,134	1,046,500	950,485	1,151,858
Non-operating expenses	171,441	284,076	171,432	517,267	319,954
Total profit	7,143,136	6,705,305	5,296,513	(7,858,837)	6,154,641
Income tax expenses	2,194,392	2,363,950	2,218,717	2,489,202	2,442,074
Net profit	4,948,744	4,341,355	3,077,796	(10,348,039)	3,712,567
Net profit attributable to shareholders of the Company	4,801,562	3,964,938	2,980,864	(6,943,355)	4,243,424
Profit or Loss attributable to non-controlling interests	147,182	376,417	96,932	(3,404,684)	(530,857)
Basic earnings per share	0.24	0.21	0.16	(0.36)	0.22
Diluted earnings per share	N/A	N/A	N/A	N/A	N/A

Item	As at the end of 2015	As at the end of 2014	As at the end of 2013	As at the end of 2012	As at the end of 2011
Total assets	343,762,819	325,978,479	322,884,439	326,226,523	332,012,367
Total liabilities	272,607,795	267,953,971	267,819,220	273,391,936	273,796,224
Total equity	71,155,024	58,024,508	55,065,219	52,834,587	58,216,143

Note: The consolidated operating results in 2011 have not been restated in accordance with CAS 9.

DOCUMENTS FOR INSPECTION

1. Financial statements signed and sealed by the legal representative, the person-in-charge of accounting and the head of the accounting firm;
2. The original audit report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public account;
3. Originals of all documents and announcements of the Company publicly disclosed on the website of the Hong Kong Stock Exchange during the Reporting Period.



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