



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



2016 ANNUAL REPORT

** For identification purpose only*

IMPORTANT NOTICE

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management 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 29th meeting of the second session of the Board convened on 28 March 2017.
- 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, the Vice President and the Chief Accountant of the Company, and Fan Wanzhu, the Deputy Chief Accountant and 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 2016 amounted to RMB5,375,858 thousand and the undistributed profit of MCC headquarters amounted to RMB3,457,916 thousand. Based on the total share capital of 20.724 billion shares, the Company proposed to distribute cash dividend of RMB0.60 (tax inclusive) for every 10 shares to all Shareholders and total cash dividend will amount to RMB1,243,417 thousand, accounting for 23.13% of net profit attributable to Shareholders of listed Company in the consolidated statement. The remaining undistributed profit of RMB2,214,499 thousand will be rolled over to the coming year for distribution. The implementation of the aforementioned profit distribution plan shall be subject to consideration and approval at Shareholders' Meeting.

- 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 environment. Macroeconomic trends inside or outside China may have an impact on various business segments of the Company, including procurement, production and sale, thereby causing fluctuations in the Company's operating performance. The Company's operating income is mainly derived from the domestic market. Its business operations may perform differently in various domestic economic cycles.

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

The Company's engineering contracting, property development, equipment manufacturing and resources development businesses are affected by the policies of the industries 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 iron and steel industry, the PRC's plan on adjusting and revitalizing the iron and steel and equipment manufacturing industries, the PRC's industrial policies on resources 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. The changes in policies of the industries in which the Company operates will have an impact on the overall demand in the relevant markets including the engineering contracting services, metallurgical equipment, resources development products and ordinary residences, etc., which will in turn affect the financial position of the Company.

- X. Others

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



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DEFINITION

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

“the Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose 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” or “MCC Group”	China Metallurgical Group Corporation
“China Minmetals”	China Minmetals 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” or “Independent Non-executive Director”	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs

DEFINITION

“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 2016 to 31 December 2016
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“SGD”	Singapore dollars, the lawful currency of Singapore
“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 Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules

CHAIRMAN'S STATEMENT



Chairman
Guo Wenqing

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

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

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

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

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

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

The year of 2017 is a critical year for the PRC to implement the "Thirteenth Five-Year Plan" and a year for deepening the structural supply-side reformation. The economic development of the PRC will evolve to a higher level with a more optimized division and a more rational structure. The development trend of the iron and steel industry towards the reduction of production, greening, intellectualization and internationalization will continuously bring numerous market opportunities involving high technology, high added value and sustained benefit that are relevant to renovation and upgrade works, energy saving and environmental protection, high-end consultation and smart operating services. The new people-oriented urbanized construction and metropolitan development, will take the infrastructure field and emerging strategic industries to a period of high-level improvement and great systematic development, all of which will provide MCC with tremendous opportunities for excellent and long-term achievements in the course of high-technology construction.

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

國文誌

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 290th among the 2016 Fortune Global 500 companies.

At present, the A Shares of the Company have been selected to be a constituent stock of the SSE State-owned Enterprises Index, CSI Infrastructure Index, SSE 180R Growth Index, SSE Market Value Top 100 Index, One Belt, One Road Index and SOE Reform Index etc.; while the H Shares have been selected to be a constituent stock of FTSE China 50 Index, S&P China BMI Index, Bloomberg Industrial Global Index, Hang Seng Composite Index, Hang Seng China AH (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.*
Abbreviation in English	MCC
Legal representative of the Company	Guo Wenqing

II. CONTACT PERSON AND CONTACT METHOD

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

Note: On 28 March 2017, Ms. Lin Xiaohui resigned her position as company secretary due to personal reason. Ms. Li Yuzhuo and Ms. Lai Siu Kuen were appointed as joint company secretaries upon consideration and approval by the Board of the Company.

* for identification purposes only

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

III. BASIC INFORMATION

Registered address	28 Shuguang Xili, Chaoyang District, Beijing
Postal code of registered address	100028
Business address in the PRC	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Postal code of the business address in the 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

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	Shares of the Company		
	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

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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	Yang Bin, Chen Shumian
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for the initial public offering of A Shares of MCC dated 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the proceeds raised by MCC have not been fully utilized, CITIC Securities Company Limited continues to supervise MCC on the use of proceeds, and performs the relevant continuous supervisory duties after the expiry of continuous supervisory period. CITIC Securities Company Limited, acting as the sponsor for the non-public issuance of A Shares of MCC (the share registration was completed on 6 January 2017), performed sponsoring duty for the management and use of proceeds from the non-public issuance of A Shares of the Company and carried out continuous supervisory work.
PRC legal advisor appointed by the Company	Name	Beijing Dacheng Law Office
	Office address	7/F, Building D, 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 THE RECENT THREE YEARS

(I) Major accounting data

Unit: RMB'000

Major accounting data	2016	2015	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2014
Operating revenue	219,557,579	217,323,972	1.03	215,785,772
Net profit attributable to Shareholders of the Company	5,375,858	4,801,562	11.96	3,964,938
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	4,570,415	3,820,734	19.62	2,867,136
Net cash flow generated from operating activities	18,558,549	15,357,382	20.84	14,969,027

	At the end of 2016	At the end of 2015	Increase/ decrease at the end of the period as compared to the corresponding period of the previous year (%)	At the end of 2014
Net assets attributable to Shareholders of the Company	70,553,075	60,557,630	16.51	47,337,257
Total assets	377,491,604	343,762,819	9.81	325,978,479

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

(II) Major financial indicators

Major financial indicators	2016	2015	Increase/decrease for the period as compared to the corresponding period of the previous year (%)	2014
Basic earnings per share (<i>RMB/share</i>)	0.25	0.24	4.17	0.21
Diluted earnings per share (<i>RMB/share</i>)	N/A	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (<i>RMB/share</i>)	0.21	0.19	10.53	0.15
Weighted average return on net assets (%)	9.30	9.46	Decreased by 0.16 percentage point	8.63
Weighted average return on net assets after deducting non-recurring profits and losses (%)	7.77	7.45	Increased by 0.32 percentage point	6.24

(III) Financial highlights

1. Overview

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

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

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

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*

Operating revenue amounted to RMB187,639 million, representing an increase of RMB1,335 million or 0.72% from RMB186,304 million in 2015.

(2) *Property Development Business*

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

(3) *Equipment Manufacture Business*

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

(4) *Resource Development Business*

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

(5) *Other Businesses*

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

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

3. Summary of financial statements

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

(1) Consolidated Income Statement (January–December 2016)

Unit: RMB'000

Item	Note	Amount for the current year	Amount for the prior year
I. Total operating revenue		219,557,579	217,323,972
Including: Operating revenue	VII 51	219,557,579	217,323,972
II. Total operating costs		213,000,156	213,089,921
Including: Operating costs	VII 51	191,369,837	188,817,361
Taxes and levies	VII 52	3,288,123	5,597,162
Selling expenses	VII 53	1,665,258	1,512,225
Administrative expenses	VII 54	10,425,174	10,067,076
Financial expenses	VII 55	2,228,707	2,526,563
Impairment losses of assets	VII 56	4,023,057	4,569,534
Add: Losses from changes in fair values	VII 57	-3,215	-30,445
Investment income	VII 58	440,053	1,735,160
Including: Gains (losses) from investments in associates and joint ventures		327,590	-153,731
III. Operating profit		6,994,261	5,938,766
Add: Non-operating income	VII 59	1,306,710	1,375,811
Including: Gains from disposal of non-current assets		134,321	226,649
Less: Non-operating expenses	VII 60	653,200	171,441
Including: Losses from disposal of non-current assets		49,353	46,861
IV. Total profit		7,647,771	7,143,136
Less: Income tax expenses	VII 61	1,678,124	2,194,392
V. Net profit		5,969,647	4,948,744
Net profit attributable to shareholders of the Company		5,375,858	4,801,562
Profit or loss attributable to non-controlling interests		593,789	147,182

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Item	Note	Amount for the current year	Amount for the prior year
VI. Other comprehensive income, net of income tax	VII 62	37,249	-366,993
Other comprehensive income attributable to shareholders of the Company, net of income tax		-3,263	-391,101
(I) Items that will not be reclassified subsequently to profit or loss		-4,749	-398,024
1. Re-measurement of defined benefit obligations		-4,749	-398,024
(II) Items that may be reclassified subsequently to profit or loss		1,486	6,923
1. Net (loss) gain on revaluation of available-for-sale financial assets		-33,089	22,935
2. Exchange differences on translating foreign operations		34,575	-16,012
Other comprehensive income attributable to non-controlling interests, net of income tax		40,512	24,108
VII. Total comprehensive income		6,006,896	4,581,751
Total comprehensive income attributable to shareholders of the Company		5,372,595	4,410,461
Total comprehensive income attributable to non-controlling interests		634,301	171,290
VIII. Earnings per share	XV 3		
(I) Basic earnings per share (RMB/share)		0.25	0.24
(II) Diluted earnings per share (RMB/share)		N/A	N/A

(2) Summary of Consolidated Total Assets and Total Liabilities at the end of December 2016

Unit: RMB'000

	As at 31 December 2016	As at 31 December 2015
Total assets	377,491,604	343,762,819
Total liabilities	294,383,901	272,607,795
Total shareholders' equity	83,107,703	71,155,024

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

(I) Differences in net profit and net asset attributable to shareholders of the Company under financial reports between IFRS and Chinese Accounting Standards for Business Enterprises

Applicable Not applicable

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

(II) **Differences in net profit and net asset attributable to shareholders of the Company under financial reports between overseas accounting standards and Chinese Accounting Standards for Business Enterprises**

Applicable Not applicable

(III) **Explanation on the differences in domestic and overseas accounting standards**

Applicable Not applicable

IX. MAJOR FINANCIAL DATA IN 2016 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	42,574,606	53,250,049	45,455,355	78,277,569
Net profit attributable to shareholders of the Company	1,365,107	1,050,819	941,118	2,018,814
Net profit attributable to shareholders of the Company after deducting non-recurring profits and losses	1,269,799	519,275	845,133	1,936,208
Net cash flow generated from operating activities	-7,611,531	4,762,162	-94,963	21,502,881

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

Unit: RMB'000

Non-recurring profit and loss items	Amount in 2016	Note (if applicable)	Amount in 2015	Amount in 2014
Profit or loss on disposal of non-current assets	84,968	Note XVII	179,788	86,836
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature	-	-	-	-
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)	707,110	Note XVII	676,858	1,066,485
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	-	-	-	-
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	-	-	90,147	-
Profit/loss of non-monetary asset swap	-	-	-	-
Profit/loss from entrusted investment or asset management	-	-	-	-
Provision for impairment of assets due to force majeure i.e. natural disaster	-	-	-	-
Profit/loss from debt restructuring	-	-	-	-
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	-	-	-	-

COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Non-recurring profit and loss items	Amount in 2016	<i>Note (if applicable)</i>	Amount in 2015	Amount in 2014
Profit/loss from the excess of the fair value of a transaction of unfair consideration	-	-	-	-
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	-	-	-	-
Profit/loss from contingencies irrelevant to the normal operations of the Company	-	-	-	-5,752
Change of fair value of financial instruments at FVTPL and profit or loss of disposal of financial instruments at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under company's normal operating business	13,136	Note XVII	56,681	32,134
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	-	-	-	-
Profit/loss from external entrusted loans	-	-	-	4,960
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	-	-	-	-
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	-	-	-	-
Income of entrustment fees from entrusted operations	-	-	-	-
Other non-operating income or expenses other than the above items	(138,568)	Note XVII	257,577	267,489
Other profit or loss items that fall within the meaning of non-recurring profit and loss	478,921	Note XVII	107,478	14,558
Impact on non-controlling interests	-119,396	Note XVII	-231,600	-142,318
Impact on income tax	-220,728	Note XVII	-156,101	-226,590
Total	805,443	Note XVII	980,828	1,097,802

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	1,410,011	1,044	-1,408,967	14,249
Available-for-sale financial assets	580,449	1,531,494	951,045	20,409
Derivative financial liabilities	14,339	17,443	3,104	-11,139

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I. EXPLANATION FOR THE PRINCIPAL BUSINESSES AND OPERATING MODELS OF THE COMPANY AND THE INDUSTRIES IN WHICH THE COMPANY WAS INVOLVED DURING THE REPORTING PERIOD

(I) Engineering Contracting Business

1. Industry Overview

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

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

In respect of the market of non-metallurgical engineering contracting, as the state has strengthened the reform of supply side markets and effectively implemented national strategies and programs including "One Belt, One Road", the synergy of the Beijing-Tianjin-Hebei Region (京津冀協同) and the construction of the Yangtze River Economic Belt, the construction of infrastructure and urbanization in China has further sped up. In 2016, the investment in infrastructure (excluding production and supply of electricity, heat, gas and water) amounted to RMB11,887.8 billion, representing an increase of 17.4% as compared with last year. Among which, the investment in water resources management, public facilities management, road transportation and railway transportation industries grew by 20.4%, 22.9%, 15.1% and dropped by 0.2%, respectively. In 2016, gross floor area under construction by property developers was 7,589.75 million square meters ("sq.m."), representing an increase of 3.2% as compared with last year. Among which, gross floor area of new accommodation construction was 1,159.11 million sq.m., representing a year-on-year increase of 8.7%.

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2. The Operating Results of the Business

As a national innovative enterprise with a strategic positioning of “being the national team for metallurgical construction, the major force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”, the Company has actively carried out transformation and upgrade based on excellent scientific research, investigation, design, building capacity and made outstanding achievements in the engineering contracting segment. In 2016, in relation to the metallurgical construction, the Company has further opened its mind and advanced with time so as to take the responsibility of elevating China’s metallurgical industry to a higher standard of development, leveraging on its unceasing innovation and irreplaceable integration advantages in the entire industrial chain of metallurgical industry. The Company has established its core technology and control ability in the 8 major units and 19 business units in the traditional metallurgical process with its focus on capacity replacement, relocation projects for urban steel plants and metallurgical energy saving and environmental protection technology transformation market, thus consolidating its position of the “national team for metallurgical construction”. As a major force of infrastructure construction in China, the Company fully utilized the enormous composite force of “three forces in one” comprising the Group, the subsidiaries and the regional branches, further strengthened the design and operation of macro environment, heavyweight clients and mega projects, optimized the market deployment, strengthened its ability to contract “high-tech, new, multi-functional and large-scale” projects and stepped up its efforts of market development in non-metallurgical sectors such as premium property construction, highways, regional development and transport and municipal infrastructure and achieved remarkable results. The Company has made great efforts in emerging industries to increase its competitiveness in the emerging markets by resources integration, technology advancements and change in marketing thinking. It has made major breakthroughs in emerging industries such as integrated piping system, special themed engineering, sponge city, beautiful countryside and smart city, marking its industry-leading position as the “forerunner of the emerging industries”. During the Reporting Period, the new construction contracts of the Company amounted to RMB456 billion, representing a leaping growth for three consecutive years to a record high. Among which, newly signed metallurgical engineering contracts amounted to RMB45.8 billion and newly signed non-metallurgical engineering contracts amounted to RMB410.2 billion. Non-metallurgical engineering contracts accounted for 90% of the new contracts for the year, and non-metallurgical engineering projects contributed 74.57% of operating revenue. The project reserve and sustainability of the Company showed a steady increase.

The overall operating results of the engineering contracting business in 2016

Unit: RMB'000

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

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

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(1) *Metallurgical engineering market*

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

(2) *Non-metallurgical engineering market*

As the “major force for fundamental construction” and the “forerunner of the emerging industries”, the Company bears in mind that “markets are the foundation and the ground for enterprise development and are of the first priority for an enterprise to survive, develop, transform and upgrade”. In line with the national strategy, the Company integrated its advantages and resources and further optimized the market deployment in dynamic developed regions including “One Belt, One Road” region, Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta. With research in business models, it made efforts in non-metallurgical engineering sectors such as transport and municipal infrastructure, premium property construction, environmental engineering and alternative energy, integrated piping system, special engineering, sponge city, beautiful countryside and smart city to establish its new competitive edges and complete a batch of major projects with significant influence in the industry. During the Reporting Period, 159 non-metallurgical major engineering projects had a new contract amount exceeding RMB500 million. Currently, the proportion of newly signed contracts amount of non-metallurgical businesses for the Company to newly signed engineering contracts amount has reached 90%, evidencing the fruitful results from the structural adjustment, transformation and upgrade to construction products.

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

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① Maintaining a competitive edge in the fundamental construction field

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

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

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

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② A new driving force formed by emerging businesses

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

In the municipal integrated subterranean piping system field, as the earliest constructor of the integrated subterranean piping system in the PRC, the Company seized the critical strategic opportunities brought by the PRC's promotion of the construction for integrated subterranean piping system and continuously explored new models for municipal integrated piping system. In the field of integrated piping system, the Company has become the bearer of national mission, a marketing leader and an explorer of scientific research and development. It puts utmost efforts to build "MCC piping system" brand with broad influence and powerful control. Not only did the Company actively participate in the preparation of national integrated piping system standards, it also set up the first specialised company for investing in and construction of piping system, the first domestic piping system technology research institute and the first hundred-billion level construction fund for piping system. The Company can provide consultation, planning, survey, design, construction, supervision and operating services based on specific situations of the relevant cities and projects. The Company possesses incomparable professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. During the Reporting Period, the Company won the bidding of 39 PPP and general contracting construction projects for integrated subterranean piping system in Xi'an, Lanzhou, Shenzhen and other cities with a total length of 508.4km and investment amount of RMB50.132 billion. New contracted consultation and design projects covered 314.88km, and planning projects covered 995.23 sq.m. The Company remained at the leading position in the domestic piping system market.

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

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

Please see "(IV) Other material contracts" on page 66 of this report for the details of the material contracts of engineering construction with contractual amounts over RMB2 billion newly signed by the Company during the Reporting Period. These major non-metallurgical projects drive the rapid development of the Company in the infrastructure and emerging industry sectors, optimize the Company's product line-up, enhance the brand influence and the ability to resist market risks, and further consolidate the position of "the major force for fundamental construction and the forerunner of the emerging industries" of the Company.

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(3) Overseas Construction Market

① Overseas construction contracting industry

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

② Primary model and geographical coverage of overseas business operations

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

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

③ Overseas market operation

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

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

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④ Overseas projects

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

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

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

The abovementioned Ha Tinh Steel Project in Vietnam is currently the largest EPC project relating to steel construction undertaken by a Chinese contractor overseas. A total of 11 group subsidiaries of the Company participated in the project by engaging in not only preliminary consultation and overall design but also supply of major equipment, key construction as well as serving as the chief technical consultant and provider of repair and maintenance services to satisfy customer needs, which established the goal of providing one-stop and all-round services for overseas steel projects and demonstrated our ample strength as a national team for metallurgical construction, creating favorable advantages for us to undertake the Greenland Steel Project under the policy of “One Belt, One Road” in the near future.

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

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

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

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

(II) Property Development Business

1. Industry Overview

In the real estate industry in China, regional differentiation, market segmentation and product upgrade have been taking place and have led to increasingly fierce competition among enterprises. In 2016, total transaction area of the domestic real estate market throughout the year was estimated to be over 1.5 billion sq.m., representing a growth of more than 15% as compared to that of 2015. The transaction amount was estimated to be nearly RMB12 trillion, representing an increase of more than 30% as compared to that of 2015. Both transaction area and transaction amount reached the new highs in the industry. For transaction price, the overall average transaction price in first-tier cities recorded a year-on-year increase and the growth rate of Shenzhen, being the highest one, reached 49%, while the year-on-year growth rates in second-tier and third-tier cities varied significantly. The macro-control policies launched before and after the National Day in 2016 have relatively significant influence over market performance, as a result of which, the upward trend of property prices has to certain extent been contained. The recent property prices in first-tier and second-tier cities have recorded a stable performance, mainly due to a series of administrative control policy implemented by the government, such as “property price restriction”, “purchase restriction” and “mortgage restriction” and many other restrictions. As a result of the net outflow of population, there was still “de-inventory” pressure in third-tier and fourth-tier cities. In the long run, the real estate industry will remain a stable growth trend.

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2. The Operating Results of the Business

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

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

The overall operating results of the property development business in 2016

Unit: RMB'000

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

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

The progress of the Company's major property development projects is as follows:

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

The Land Nos. 1 and 3 in Xiaguan District, Nanjing was the Company's major property development project. In order to reasonably control the investment progress and obtain the expected investment returns, the Company confirmed the overall development plan of the Land Nos. 1 and 3 after thorough consideration and detailed planning. The Company recovered funds mainly through introducing strategic collaborators for strategic collaboration, or transferring the equity shares of the Project Company on Land No. 1. The land use of Land No. 3 includes the uses of mixed residential, commercial and financial, cultural and recreational, nursery and kindergarten, mixed business office and etc., each land has a plot ratio of 1.0 to 13.7, controlled building height of 24m to 300m. Land No. 3 project was divided into two-phase construction, namely General Phase I and General Phase II, of which General Phase I (Project Fangjiaying (方家營項目), Project Binjiang (濱江項目) and Project Hutchison Matheson (和記洋行項目)) already commenced development where Project Fangjiaying and Project Binjiang were under sale and construction respectively, and Project Hutchison Matheson has been under initial planning works. General Phase II was yet to commence development as it was currently under the positioning stage of initial planning.

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- (2) On 17 July 2012, the consortium of MCC Real Estate won the bid of and obtained the land use right of plot A1 under Phase II of the green belt construction and old village reconstruction project at Jiugong Town, Daxing District, Beijing (北京市大興區舊宮鎮綠隔地區建設舊村改造二期A1地塊) at a public auction for a consideration of RMB2.2 billion in cash, together with an obligation to construct public rental housing of 4,700 sq.m. (for details, please refer to the announcement of the Company dated 19 July 2012). The inspection and acceptance of the entire project was completed on 26 February 2016 and the delivery of the property was completed on 31 October 2016. Refined decoration is almost completed. Between the first opening of the project on 18 October 2014 and the end of 2016, the Company sold 10 buildings, with cumulative contract sales area of 97,800 sq.m., and recorded good returns in sales.
- (3) On 28 May 2014, MCC Real Estate won a bid for the land use right of a land plot located in Qili of New Badali, Heiniucheng Road in Tianjin at a consideration of RMB4.949 billion (for details, please refer to the announcement of the Company dated 29 May 2014). Currently, it is promoting the construction and ancillary procedures of the project, of which Qixian Beili (7-09) is under renovation for interior and exterior eaves, and the ancillary procedures are basically completed. The application for the ancillary procedures of Qixian Nanli is in progress, and the main part of land B (7-11) is under construction. The application for the sales permit of building No. 1-4 is completed and the main part of land C (7-13) is under construction. The main body of land D (7-14) No. 5-7 has been topped out and is undergoing second structure construction. The project was opened on 4 July 2015. As at the end of 2016, 11 buildings were opened, i.e. buildings No. 1-4, 7, 8 and 10 of Qixian Beili (7-09), buildings No. 1-2 of Qixian Nanli land B (7-11), buildings No. 5 and 7 (apartment) of Qixian Nanli land D (7-14). The cumulative contract sales area was 119,800 sq.m. The sales return was good.
- (4) On 16 July 2013, MCC Real Estate Singapore Ltd. won the bid for the land development right with a term of 99 years of a land parcel at Tampines Avenue 10 (Parcel B) in Singapore (新加坡淡濱尼十道B地段地塊) at a public auction at a consideration of SGD289.7 million (equivalent to approximately RMB1.402 billion) for residential development (for details, please refer to the announcement of the Company dated 1 August 2013). "Tampines Avenue 10 (Parcel B) Apartment Development and Construction Project (淡濱尼十道B地段公寓開發建設項目)" is located at Tampines Avenue 10 in eastern Singapore, which is adjacent to Bedok Reservoir Park in Singapore (新加坡勿洛儲水池公園). The project has an area of 17,103 sq.m. with gross floor area of 52,676 sq.m. The project commenced construction in January 2014 and is expected to be completed in the first half of 2017. As of December 2016, the aggregated completed sales area amounted to 17,743 sq.m.
- (5) On 20 August 2014, MCC Real Estate Singapore Ltd. won the bid for a land parcel for the construction of private apartments in Potong Pasir in Singapore at a public auction at a consideration of SGD471.6 million (equivalent to approximately RMB2.358 billion) (for details, please refer to the announcement of the Company dated 21 August 2014). The project is located at Potong Pasir in central Singapore, which is 5km far from the city centre, with an area of 16,149 sq.m. and planned gross floor area of 62,175 sq.m. It is a comprehensive project for both residential and commercial purposes and the first project of MCC Real Estate Singapore Ltd. in the high-end real estate business. 75% of the units of the project (Phase I) were sold out on the first date of launch on 28 November 2015 and the residential units were all sold out as of the date hereof. The project has maintained a satisfactory sales return after the launch of Phase II on 12 March 2017. By the end of December 2016, the aggregate completed sales area of the project amounted to 39,183 sq.m.

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

(III) Equipment Manufacture Business

1. Industry Overview

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

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

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2. The Operating Results of the Business

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

The overall operating results of the equipment manufacture business in 2016

Unit: RMB'000

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

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

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

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Regarding steel structure business, the Company will further reinforce control measures, continue to better allocate its steel structure business and assets and make all efforts in developing its capacity advantage of steel structure manufacturing. For business cooperation, the Company will insist on the adoption of the model of “dual drivers of manufacturing and R&D” for the establishment of the “core R&D platform” and “core design platform” of the steel structure business of the Company with a target to develop cutting-edged technology for high-end steel structure business and take the first move on every opportunity arising in the high-end markets. Regarding business layout, the Company has been making breakthroughs in regional integration by kicking off pilot integration programs for regional resources of steel structures in developed regions and has been reinforcing its strengths within the integrated industry chain covering R&D, design, manufacturing, installation, testing and maintenance of the steel structures of the Company. Moving forward, the Company will be stepping on the path to integrated businesses, high-end products and internationalization of its brand through building up the brand of “MCC Steel Structure”, and will solidify the advantageous position for industrial steel structures while putting great efforts in expanding the scale of steel structures for civilian constructions and infrastructures. Besides, it will gradually strengthen its operational management, reduce costs and enhance efficiency in order to increase overall profitability.

(IV) Resource Development Business

1. Industry Overview

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

For mining products in bulk, there will be different trends in the future demands and prices of iron ore and non-ferrous metals due to significant differences in resources and demand and supply. Both consumption and market in China were at the tipping point with a downward trend due to the adjustments to the Chinese economic structure and the decrease in demand of iron and steel. As forecasted by Barclays, the lowest price of iron ore in 2017 will fall below USD50 per ton, while the related domestic companies forecast that the overall price will fluctuate between USD50–60. Unlike iron ore, non-ferrous metal resources are comparatively scarce with smaller production scale, lower mining grade and a larger number of manufacturers. Thus, there is no monopoly in the industry. The supply and demand of non-ferrous metal are in basic equilibrium with certain periodicity. Due to the increase in prices of non-ferrous metal, investment increased and production expanded. The increasing supply caused oversupply and led to decrease in prices, and thus low graded and high cost mines were forced to cut production capacity and close down. Therefore, supply decreased and a cycle completed. As the major consumer of non-ferrous metal, China will still maintain an increasing trend for the demand of non-ferrous metal in the future. The non-ferrous metal market will maintain a regular change and the prices will fluctuate over time. In general, the market prices of metals including nickel, copper, lead and zinc fluctuated and rose during 2016. In 2016, the average prices of nickel, copper, lead and zinc on LME were USD9,639.42 per ton, USD4,874.26 per ton, USD1,876.3 per ton and USD2,103.96 per ton, respectively.

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2. The Operating Results of the Business

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

The resource development business of the Company is in line with "perfect management, strong quality, reduce costs, control risks and make profits". By taking advantage of the resources of its current projects, the Company adopted the "One Mine One Policy" governance strategy and alleviated and gradually eliminated the investment risks incurred from inferior resources in order to increase the survivability of advantageous resource projects.

The overall operating results of the resource development business in 2016

Unit: RMB'000

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

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

(1) Ramu Nico Project

With respect to nickel mine project, the Company currently adopts all cost-reduction and consumption-minimization measures in order to make Ramu Nico Project reach production target and achieve low-cost operation. On this basis, the Company is currently studying the plan of 10% horizontal overproduction and plan of vertical expansion of the industrial chain while promoting highly processed goods and developing new products such as ternary battery, in order to increase the comprehensive utilization rate of quoted metals to generate greater profits and enhance the sustainable development capability of the Ramu Nico Project to turn loss into profit. The ratios of actual production capacity of the project exceeded 100% for two consecutive months in November and December 2016 and the annual production and operation in 2016 achieved a relatively satisfactory result. In 2016, the project cumulatively produced 57,826 tonnes of nickel hydroxide, containing 22,234 tonnes of nickel and 2,187 tonnes of cobalt. During the year, the average ratio of actual production capacity to designed capacity was 68.2%. The cumulative sales of nickel hydroxide amounted to 20,568 tonnes for the year 2016 and the year-on-year ratio was basically flat, the revenue from sales for the year amounted to RMB1,195.4208 million. Total profit accumulated for the year amounted to RMB-1,038.9284 million, representing a decrease in loss of RMB572.0048 million or 35.51% as compared with 2015, and achieved the target for loss reduction.

(2) Pakistan Saindak Copper-Gold Mine Project

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

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(3) *Argentina Sierra Grande Iron Ore Mine*

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

(4) *Pakistan Duddar Lead-Zinc Mine Project*

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

(5) *Afghanistan Aynak Copper Mine Project*

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

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

During the Reporting Period, there were no material changes in 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 metallurgical industry in new China, MCC has accumulated over 60 years of technological experience, forming the core competitiveness for sustainable development, is mainly achieved in: in respect of technologies, continuously elevating core technological capabilities and system integration abilities; in respect of management, constantly improving innovation ability and resource integration capability; in respect of corporate culture, corporate spirit and vision with high popularity.

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

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IV. Technological Innovation

In 2016, the Company's technological innovation worked tightly around the new strategic position of "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies". The Company constantly optimizes the construction of new systems for technological innovation and comprehensively enhanced the technological innovation capability while deploying the advantage of integration of technology and construction in respect of innovation and continuously creating dynamic multiplier effect of technological innovation, in order to achieve the leading effect of technological innovation which will become a new engine and momentum for the transformation and upgrade of the Company.

(I) Comprehensive Innovative Development Guided by Technological Innovation Strategies

In 2016, concluded on the basis that the top level design of "national team for metallurgical construction" has obtained satisfying results, the Company issued the Action Manual of "National Team for Metallurgical Construction" ("冶金建設國家隊"行動手冊) which stated that the Company will continue to firmly occupy the dominant position of technology and deploy its own strengths, in order to lead the structural reformation of supply side in the iron and steel industry by innovation and upgrade of itself and undertake the national responsibility of promoting the massive iron and steel industry in China to become stronger.

In order to provide better support to the transformation and upgrade of the Company, optimize the structure of the industry and accelerate the development of emerging business, the Company established technical research institutes of water and environment, healthcare industry and theme parks and continued to enhance its effort on the research and development of core technology of emerging fields to support the development of emerging markets and provide new momentum for the reformation development of the Company.

(II) Sustainable Development Supported by Establishing Technological Innovation System

During the Reporting Period, the Company further enhanced the construction of the innovative platform system based on the innovative development strategy and strived to make a breakthrough of common key technologies, so as to continuously improve the intellectual 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 2016, the Technological Centre of China First Metallurgical Group Co., Ltd., the Technological Centre of China MCC 5 Group Co., Ltd. and the Technological Centre of China MCC 20 Group Co., Ltd., all being subsidiaries of the Company, were recognized as national enterprise technology centres; the Central Research Institute of Building and Construction Co., Ltd., MCC Group, a subsidiary of the Company, obtained an approval from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC for the construction of a centre for supervision and inspection of quality and safety of national steel; and China ENFI Engineering Corporation, a subsidiary of the Company, was approved by the Ministry of Industry and Information Technology to be the first industrial energy conservation and green development evaluation centre and became the first approved entity in the non-ferrous industry.

As at the end of the Reporting Period, the Company has established 20 national technological platforms as approved by the Ministry of Science and Technology of China and the NDRC, holding a leading position among the state-owned 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 two-levels three-hierarchies technological innovation platform system of the Company was further improved, which further consolidated the innovation foundation of the Company and provided technological support to achieve new strategic objectives of the Company.

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2. Breakthrough Made in Key Technological Research and Development

Based on the technological development strategy, the Company leveraged its advantages to dominate in the high-end market and promoted continuously the productization of core technology and product industrialization. In the metallurgical construction field, with an aim to realise greening and intellectualising of the industrial process of iron and steel and non-ferrous metals, the Company strived to develop and implement a batch of key common technologies, including centralised system optimization of iron and steel manufacturing process, low-cost life expansion of coke dry quenching, sintering flue gas multi-pollutant synergy treatment, high-precision hot rolling strip model control, highly-efficient development and utilisation of low-grade laterite nickel ore resources; with respect to the infrastructure field, the Company developed and applied new design and construction technologies such as anti-seismic technology for complex industrial buildings, prefabricated concrete structures, a complete set of technology for construction of municipal roads and piping system under complex landscape, pocket expandable anchor; in the emerging industry field, the Company achieved breakthroughs in respect of intellectualised integrated piping system, intelligent parks, intelligent green energy, development model of beautiful countryside, development of rain and flood model based on GIS, water and environment equipment and water ecological restoration. These critical technologies were deployed during the construction process and obtained high appreciation.

3. Gradual Improvement in the Intellectual Property System

In 2016, the Company continued to promote the implementation of the patent development strategy of “Quality Comes First, then Quantity” (質量並舉、質為先), strived to increase the proportion of invention patent, strengthen the overall layout of patents and build a patent technology network with core competitiveness based on three areas, namely “metallurgical construction, infrastructure and emerging industries”, thereby establishing intellectual property system supporting the development of principal business. MCC had 18,996 valid patents, of which 4,738 were invention patents. It continued to rank the fourth among central enterprises and ranked the first among central enterprises in the construction industry. In addition, two subsidiaries was recognised as the Model Enterprise of Intellectual Property at National Level and four subsidiaries of the Company were named as the second batch of the Enterprise with Intellectual Property Advantages at National Level on the above-mentioned basis.

During the Reporting Period, the Company once again obtained the China Patent Gold Award and achieved a new record high for the number of the outstanding China patent awards obtained. In December 2016, “a type of dedicated gas supply device for dry quenching furnace”, a patent independently developed and applied for by ACRE Coking & Refractory Engineering Consulting Corporation, MCC was awarded the 18th anniversary of the China Patent Gold Award and become the only central enterprise of construction and metallurgy to win this award. This is also the second time for the Group to obtain the China Patent Gold Award after it got awarded in 2015 (only 20 gold awards awarded nationwide each year); meanwhile, MCC also obtained 11 outstanding China patent awards, which was the most over the years.

4. “Going Out” Strategy Supported by International and Domestic Standards

In 2016, the Company conformed to the national “One Belt, One Road” strategy and actively promoted the compilation of international standards to provide technological support to the Company’s participation in global market competition. The Company hosted in the compilation of two international standards, and issued and participated in the compilation of two international standards. The Company was also awarded a number of China Standards Innovation and Contribution Awards, including two First Class Project Awards and one Individual Outstanding Contribution Award. While enhancing the compilation of international standards, the Company continued to consolidate the advantages of standard compilation in the metallurgical sector. In 2016, it issued and hosted to compile 11 national standards, thus further ensuring the Company’s dominance and power in the technology of the metallurgical industry.

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(III) **Continuous increase in technological innovation to ensure development momentum**

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 Innovation*

Firstly, the Company has continuously leveraged the leading advantage of the MCC Research Institute and successively established MCC technical research institutes of water and environment, healthcare industry and theme parks.

The Company focuses on the strategy for the future development of the PRC and caters for market needs. With over 60 years of accumulated technology, the Company extended its professional technological advantages in the metallurgical industry, such as “water, electricity and gas”, into the municipal field. Through the technological work in the fields of water and environment, healthcare industry and theme parks, such as key industrial development planning, core technologies research and development, formulation of standards, results conversion and synergy innovation, the Company is driven to occupy a new dominant position in terms of technology and the research and development and promotion and application of emerging industries were facilitated, leading the transformation and upgrade of the Company.

Secondly, the Company has determined the new direction for the research and development of establishment of the “national team”, strengthened the establishment of the first echelon and deployed the comprehensive advantage of the full industrial chain.

The Company organized and commenced the implementation of the first echelon of the “national team”, state-level technology platform, and the key research and development projects in MCC engineering center, including the research and development on steel metallurgy, non-ferrous metallurgy, mining and other new processes, techniques and equipment in traditional domains, promoting the development of green steel and smart steel to achieve energy conservation and emission reduction in steel product lines and the successful application of related techniques in Zhanjiang Steel Project of Baosteel and Ha Tinh Steel Project of Formosa in Vietnam.

2. *Sustained and Stable Technological Investments*

In 2016, the Company continued to increase technological investments with a total amount of RMB6,077 million for the year, representing 2.77% of the operating revenue for the year. The Company ensured the sustainable and stable technological investments while actively seeking financial support for technological development from the State, therefore satisfying the basic needs for technological research and development of the Company.

3. *Obtaining Various Awards in Technological Innovation*

In 2016, the Company obtained various national awards and made a historical breakthrough. The Company won a total of 3 Second-class Awards for National Science and Technology Advancement Award; received 7 prizes for the Metallurgical Technology Award, 11 prizes for National Science and Technology Advancement Award from the China Non-ferrous Metal Industry Association, 9 Chinese Construction and Engineering Technological Innovation Achievement Awards from the China Construction Industry Association; obtained 5 outstanding engineering awards and 17 individual awards in the second-session of the China Engineering Construction BIM Application Contest.

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China MCC 17 Group Co., Ltd., a subsidiary of the Company, was recognised by the Ministry of Industry and Information Technology and the Ministry of Finance as the 2016 model enterprise of national technological innovation, being the first enterprise receiving such honour among the construction enterprises within the Group.

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

4. Persistent Improvement in Ability to Transform Technological Achievements, Notable Increment in Contribution to Technological Advancement

In 2016, the Company improved its R&D and application of new technology in traditional fields, such as steel metallurgy, non-ferrous metallurgy and mine exploitation, and promoted the rapid development of eco-friendly and intelligent steel, which were regarded as outstanding contribution to the metallurgy industry in energy conservation and emission reduction as well as optimization and upgrade and won a number of technology awards granted by the country and the industry. Such technologies include: the technology of ultra-large and long-lasting blast furnace with high efficiency and low consumption, which was successfully adopted by 21 domestic and overseas blast furnaces with volume of over 4,000m³ for, among others, Zhanjiang Steel Project of Baosteel and Ha Tinh Steel Project in Vietnam and achieved world-leading level by recording a utilization rate of 2.37t/m³ per day, coke ratio of 300kg/t and fuel ratio of 485kg/t, being an indicator of high efficiency and low consumption; the technology of "continuous lead smelting by bottom-blowing smelting, smelting reduction and volatilization of oxygen-enriched air" developed by the Company, which was adopted by more than 30 domestically-established production lines and substantially enhanced the lead smelting technology and equipment level in China. Leveraging on such technology, the Company fulfilled the international standard by recording a lead recycle rate which was higher than 98.5% and the comprehensive energy consumption of crude lead reduced to below 180kgce/t with emission reduction of sulfur dioxide by 95% and emission reduction of carbon dioxide by 80%.

Regarding emerging technologies, various achievements were widely promoted and applied, which include assembled and integrated steel piping system, smart industrial parks, analysis of characteristics of city precipitation runoff, highly-efficient equipment for water environment, new materials for theme parks and key technology for construction, and made positive contribution to the Company in market expansion of relevant fields. The Company paid great efforts in promoting the compilation of technological standards on emerging industries. After the issuance of the "Standard for the Engineering and Technology of Urban Integrated Piping System (GB50838-2015)" (城市綜合管廊工程技術規範(GB50838-2015)), the Technical Research Institute of China Metallurgical Piping System had started the compilation of the "Standard for the Operational Maintenance and Safety Technology of Integrated Piping System" (綜合管廊運行維護及安全技術標準), the "Cast Concrete Integrated Piping System" (現澆混凝土綜合管廊), and other national standards. The Technology Research Institute of Sponge City issued the "MCC Technological Standards for Sponge City Construction"(中國中冶海綿城市建設技術標準). Moreover, the Company commenced and guided the compilation work on six standards for enterprises with the help from different research institutes, which include the Technology Research Institute of Beautiful Countryside and Smart City, the Technology Research Institute of Water Environment and the Technology Research Institute of Healthcare Industry.

Demonstration projects for new technology application undertaken by the 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 2016, the Company continued to strengthen the construction of demonstration projects and approved 33 new demonstration projects for new technology application to be undertaken by the Central Research Institute of Building and Construction Co., Ltd., MCC Group, and organised inspection and acceptance work in respect of 11 demonstration projects for new technology application of this company.

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V. MAJOR CUSTOMERS AND SUPPLIERS

For details, please refer to “(4) Situation of major customers and major suppliers” on pages 43 to 44.

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 pages 126 to 127 of this report and paragraph 50 of Note VII to the consolidated financial statements.

Pursuant to the Company Law of the PRC, undistributed profits could be distributed as dividend upon deducting statutory surplus reserve. As at 31 December 2016, the undistributed profit amounted to RMB3,457,916,000.

VII. DONATIONS

During the Reporting Period, the Company did not make charitable and other donations. For details of poverty alleviation, please refer to “Performance of poverty alleviation by the Company” on page 68 to this report.

VIII. DIVIDENDS

For the details of the cash dividend distribution plan of the Company during the Reporting Period, please see the section headed “Proposal for Profit Distribution for Ordinary Shares or Transfer of Capital Reserve to Share Capital” on page 58 of this report.

IX. PROPERTIES HELD FOR DEVELOPMENT AND SALE

Location	Current use of land	Site area (sq.m.)	Floor area (sq.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	Commercial & residential	323,048.12	890,929.83	Under construction	8.55%	2020	98.52%
Hexi District, Tianjin	Commercial & residential	86,835.20	500,000.00	Under construction	54.83%	2018	100.00%
Singapore	Commercial & residential	16,149.40	62,175.30	Under construction	17.24%	2018	51.00%
Singapore	Residential	17,102.90	52,676.12	Under construction	91.34%	2017	100.00%
Jiangbei District, Chongqing	Commercial & residential	678,259.00	218,634.00	Under construction	33.89%	2020	100.00%

X. RISK FACTORS

For risk factors faced by the Company, please refer to “Possible risks” of “(III) The Company’s Discussion and Analysis on the Future Development of the Company” of the section headed “Business 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 to protect the environment in a practical manner in the course of its business operations, the Company has formulated the Administrative Measures on Environmental Protection and Resources Conservation (環境保護與資源節約管理辦法), prepared the Collection of Photos for Green Construction Demonstration (綠色施工示範圖集), proactively promoted energy conservation and emission reduction within the Company, fostered green construction and carried out other relevant tasks.

In addition, the Company has been striving for research and development on environmental protection technologies and equipment in metallurgical engineering and emerging businesses for years. Leveraging its cutting edges in technologies, the Company has laid great emphasis on the research and development on 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 both domestically and abroad, allowing the Company to make valuable contributions to environmental protection and pollution control in China.

The Company has continuously adopted technologies on environment and ecology that benefit the social community, in particular technology on water environment management and R&D on equipment, in order to build the “MCC Water” brand and form alliance of enterprises, mainly led by Huatian Engineering & Technology Corporation, MCC (“MCC Huatian”), China ENFI Engineering Corporation and WISDRI Engineering & Research Incorporation Limited, with ample strengths and great influence in water environment management. The Company has over 50 years of experience in water management and has developed a good number of core technologies and over a hundred of authorized patents. Besides, it obtained all A-class qualifications on water management granted by the MOHURD and the Ministry of Environmental Protection. The Company has completed the investment, construction, operation and management of various water management projects in Inner Mongolia, Beijing, Hebei, Anhui, Hubei, Shandong, Jiangsu, Zhejiang, Fujian, Gansu, etc. The development of water environment management business has transformed from point-form and linear development to horizontal development. For instance, MCC Huatian has successfully completed the R&D on various core equipment, technologies and products, such as highly-efficient aerators, submersible propellers, the online management of black-odor water and intensified multi-flow filters, among which, the fourth generation of its proprietary “high-efficient self-priming hybrid inverted umbrella type aerator” has achieved a higher level of oxygen-charging efficiency of 50% and reduction of power consumption of over 30% as compared with similar products nationwide.

In terms of waste incineration power generation, China ENFI Engineering Corporation, a subsidiary of the Company, invested in construction of four waste incineration power generation BOT projects in Wuxi, Xiangyang, Harbin and Ganzhou, respectively. It undertook more than 70 projects in respect of waste incineration power generation and solid waste disposal consultation and design, accounting for nearly 30% of the established waste incineration power generation projects, which ranked the first in the domestic design industry.

For details of the performance of social responsibilities by the Company, please refer to the 2016 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 ON 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 businesses 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 “Business Discussion and Analysis” of this report.

BUSINESS DISCUSSION AND ANALYSIS

I. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

During the Reporting Period, the Company realized operating revenue of RMB219,557,579 thousand with a year-on-year growth of 1.03%, total profit of RMB7,647,771 thousand with a year-on-year growth of 7.06%, and net profit attributable to the parent company of RMB5,375,858 thousand with a year-on-year growth of 11.96%.

(I) Analysis on major operating business

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

Unit: RMB'000

Items	Amount for the current year	Amount for the prior year	Change in proportion (%)
Operating revenue	219,557,579	217,323,972	1.03
Operating costs	191,369,837	188,817,361	1.35
Selling expenses	1,665,258	1,512,225	10.12
Administrative expenses	10,425,174	10,067,076	3.56
Financial expenses	2,228,707	2,526,563	-11.79
Net cash flows from operating activities	18,558,549	15,357,382	20.84
Net cash flows from investing activities	-3,191,971	-5,602,596	N/A
Net cash flows from financing activities	-5,597,927	-9,719,382	N/A
Research and development expenses	6,077,232	5,179,468	17.33

1. Analysis on revenue and costs

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

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

1) Trend of macro-economy internationally and domestically

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

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

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

BUSINESS DISCUSSION AND ANALYSIS

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

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

① Impact from changes in the tax revenue policy

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

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

② Impact of the fluctuation in exchange rate and currency policy

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

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

4) Overseas tax revenue policies and their changes

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

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

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

BUSINESS DISCUSSION AND ANALYSIS

7) Operation of subsidiaries and key projects

The Company's Ramu Nico Laterite Mine Project in Papua New Guinea remained loss-making while the poly-silicon business recorded a turnaround from loss. The final result of the third party's auditor of the Western Australia SINO Iron Ore EPC General Contract Project, the progress of the Project of MCC Real Estate in Xiaguan District of Nanjing, the recovery of payment for contract work from the government and its financing platforms and the recovery of payment from projects of some civilian-run steel and iron enterprises will significantly affect the future financial performance of the Company.

8) Enhancement in the quality of operational management

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

9) Uneven distribution of revenue

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

(2) Major business by segment and region

Unit: RMB'000

Situation of major business by segment

Segment	Operating revenue	Operating costs	Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year
Engineering contracting	187,638,690	166,896,342	11.05	0.72	2.43	Decreased by 1.49 percentage points
Property development	22,506,446	16,376,237	27.24	15.77	5.42	Increased by 7.14 percentage points
Equipment manufacture	5,112,103	4,558,392	10.83	-44.86	-43.12	Decreased by 2.73 percentage points
Resource development	3,789,153	3,352,201	11.53	25.68	1.73	Increased by 20.83 percentage points

BUSINESS DISCUSSION AND ANALYSIS

Unit: RMB'000

Situation of major business by regions

Segment	Operating revenue	Operating costs	Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year
PRC	207,127,940	179,446,062	13.36	2.96	3.53	Decreased by 0.49 percentage point
Other countries/regions	12,429,639	11,923,775	4.07	-23.00	-23.05	Increased by 0.06 percentage point

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

Description of major business by segment and region

1) Explanation on Major Business by Segment

① Engineering contracting business

Engineering contracting business is the traditional core business of the Company which mainly carried out by way of EPC contract and general financing and construction contracting contract, and is the major source of income and profits of the Company at present. The gross profit margin of the engineering contracting business for the year 2016 and 2015 were 11.05% and 12.54%, respectively, with a year-on-year decrease of 1.49 percentage points. The decrease was mainly due to the "to replace the business tax with a value-added tax" for the construction industry since 1 May 2016, which resulted in the exclusion of business taxes and levies in contract revenue and contract gross profit.

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

Unit: RMB'000

Items of revenue	2016		2015		2014	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	47,719,519	25.43	67,869,750	36.43	69,676,090	39.05
Housing construction engineering	88,041,621	46.92	79,824,172	42.85	67,799,385	38.00
Transportation infrastructure	31,860,213	16.98	18,649,604	10.01	20,906,649	11.72
Other engineering	20,017,337	10.67	19,960,581	10.71	20,033,941	11.23
Total engineering contracting	187,638,690	100.00	186,304,107	100.00	178,416,066	100.00

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

BUSINESS DISCUSSION AND ANALYSIS

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

② Property development business

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

③ Equipment manufacture business

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

④ Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. For the years 2016 and 2015, the gross profit margin of the Company's resource development business were 11.53% and -9.30%, respectively, representing an increase of 20.83 percentage points as compared with the same period last year, which was mainly due to the price of polysilicon and nickel have trended toward stability and started to rise.

2) Explanation on Major Business by Regions

For the years of 2016 and 2015, the Company realized overseas operating revenue of RMB12,429,639,000 and RMB16,142,313,000 respectively. The revenue mainly came from the steel factory project in Ha Tinh, Vietnam, the engineering contracting business including the Kuwait University Town project, the Singapore property development business, the Ramu Nico Laterite Mine Project in Papua New Guinea, and the resource development business in Saindak Copper-Gold Mine in Pakistan.

BUSINESS DISCUSSION AND ANALYSIS

(3) Table of analysis on costs

Unit: RMB'000

Situation by segment

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

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

Description of other results in the analysis on costs

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

Unit: RMB'000

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

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

(4) Situation of major customers and major suppliers

The sales of top five major customers amounted to RMB11,569,655 thousand, accounting for 5.27% of the total annual sales; in particular, the sales of related parties under the sales of top five major customers amounted to RMB0, accounting for 0.00% of total annual sales. The top five major customers have no connected relationship with the Company.

BUSINESS DISCUSSION AND ANALYSIS

Unit: RMB'000

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

The procurement of top five major suppliers amounted to RMB2,840,624 thousand, accounting for 1.48% of the total annual procurement; in particular, the procurement of related parties under the procurement of top five major suppliers amounted to RMB0, accounting for 0.00% of total annual procurement. The top five major suppliers are sub-contractors for engineering and labour services, and have no connected relationship with the Company.

Unit: RMB'000

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

2. Expenses

(1) Selling expenses

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

(2) Administrative expenses

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

(3) Financial expenses

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

BUSINESS DISCUSSION AND ANALYSIS

3. Research and development expenditure

Table of research and development expenditure

Unit: RMB'000

Research and development expenditure for the current period	6,077,232
Total research and development expenditure	6,077,232
Proportion of total research and development expenditure to operating income (%)	2.77

4. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

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

(1) Operating activities

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

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

(2) Investing activities

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

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

(3) Financing activities

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

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

BUSINESS DISCUSSION AND ANALYSIS

(II) Description of material changes in profits from non-major business

Applicable Not applicable

(III) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB'000

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

(1) Analysis on the structure of assets

Cash and bank balances

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

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

BUSINESS DISCUSSION AND ANALYSIS

Accounts receivable

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

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

The prolonged payment cycle of property owners directly resulted in a significant year-on-year increase in the accounts receivable at the end of the Reporting Period of the Company. The Company always has great emphasis on the safety and completeness of accounts receivable and timely collect each of the receivables based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to receivables with potential risks in collectability pursuant to the accounting policies of the Company, but the efforts put to collect the receivables will not be affected.

Inventories

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

Intangible assets

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

(2) Analysis on the structure of liabilities

Long-term and short-term borrowings

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

BUSINESS DISCUSSION AND ANALYSIS

Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors. As at 31 December 2016 and 31 December 2015, the Company's accounts payable were RMB111,999,308,000 and RMB93,413,988,000 respectively, accounting for 38.05% and 34.27% respectively with respect to total liabilities. The increase in the accounts payable was mainly due to the increase in the subcontracting and engineering costs payable.

Receipts in advance

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

2. Restrictions on major assets as at the end of the Reporting Period

For details on the restrictions on assets, please refer to "65. Assets with title restrictions" on page 238 to this report.

(IV) Analysis on the operational information in the industry

Analysis on the operational information in the construction industry

1. Inspection and acceptance on completion of construction projects during the Reporting Period

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	2,559	527	3,090	795	6,971
Total amount	20,904,544	7,214,862	15,993,833	8,229,795	52,343,034

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	6,838	133	6,971
Total amount	50,455,281	1,887,753	52,343,034

BUSINESS DISCUSSION AND ANALYSIS

2. Projects under construction during the Reporting Period

Unit: RMB'000

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

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	7,861	329	8,190
Total amount	131,209,654	8,292,030	139,501,684

3. Substantial projects under construction

Applicable Not applicable

4. Overseas projects during the Reporting Period

Unit: RMB'000

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

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

5. Summary of completed and unsettled constructions among the inventory

Unit: RMB'000

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

BUSINESS DISCUSSION AND ANALYSIS

6. Competency for construction projects of the Company

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

The MOHURD issued the “Notice of Relevant Issues Regarding Qualification Management and Assets Assessment of Construction Enterprises” (Jian Shi [2016] No. 122) 《關於建設工程企業資質管理資產考核有關問題的通知》(建市[2016]122號)) in June 2016, and amended all terms as mentioned in the documents regarding qualification such as “business and commercial registered fund (工商註冊資金)”, “registered fund (註冊資金)”, “registered capital (註冊資本)”, “paid-in registered capital (實繳註冊資本)” and “registered capital fund (註冊資本金)” to “net asset”. The MOHURD issued the “Notice of Implementing Internet Reporting and Approval on Qualification of Construction Enterprises and Consulting Agencies for Construction Tendering” (Jian Ban Shi [2016] No. 41) 《關於建築業企業資質和工程招標代理機構資格實行網上申報和審批的通知》(建辦市[2016]41號)) in August 2016, stating that from 1 January 2017, all new applications, upgrades and re-assessments of qualification of construction enterprises (including general construction contracting – special grade) to be approved by the MOHURD will adopt online reporting and approval and paper applications will no longer be accepted, unless those qualifications of construction enterprises involve highway, railway, transportation, water conservancy, information industry, civil aviation and other fields. The MOHURD issued the “Notice of Simplifying Certain Criteria of Qualification Standards of Construction Enterprises” (Jian Shi [2016] No. 226) 《關於簡化建築業企業資質標準部分指標的通知》(建市[2016]226號)) in October 2016, and further pushed forward the reform of policies streamlining, authority delegation, supervision enhancement and service optimization. Apart from the lowest level of qualification for each field, criteria assessments for registered construction engineer, senior officer or above, on-site management officer with certificate of practitioners and technician are cancelled; to the assessment criterion of construction area for qualification of general construction contracting of construction projects grading first class or below has been adjusted; and results of enterprises with special grade or first class qualification applying for general construction contracting of construction engineering and municipal public construction will not be recognized as valid results if the aforesaid did not enter the supervision and integrity information release platform of the national construction market.

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

(2) Qualifications obtained by the Company

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

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

BUSINESS DISCUSSION AND ANALYSIS

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

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

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

8. *Financing arrangements of the Company*

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

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

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

1) Debt financing

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

BUSINESS DISCUSSION AND ANALYSIS

The interest bearing debts at fixed rates expose the Company to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The interest bearing debts at floating rates expose the Company to cash flow interest-rate risk. The Company chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. To monitor the impact of interest rate fluctuations, the Company continuously assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Company's overall financial performance. The management would make timely strategic adjustments according to the latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For 2016 and 2015, the Company has not involved in any interest rate swap arrangements.

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

2) Financing by other equity instruments

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

(2) Equity financing during the Reporting Period

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

(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.

BUSINESS DISCUSSION AND ANALYSIS

(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	1,043,558	100	-111,604
Total				498,768	/	1,043,558	100	-111,604

Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost (RMB)	Percentage of shareholding at the beginning of the period (%)	Percentage of Shareholding at the end of the period (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Changes in owners' equity during the Reporting Period (RMB)	Account category	Source of shares
601328	Bank of Communications	93,402	0.05	0.05	258,808	12,111	-30,052	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000709	Hesteel	10,337	0.79	0.79	9,504	58	28	Available-for-sale financial assets	Initial shares
600665	Tande	1,122	0.02	0.02	841	13	-377	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.20	0.20	8,380	-	-2,031	Available-for-sale financial assets	Initial shares
600729	Chongqing Department Store	450	0.11	0.11	10,834	129	-4,143	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.04	0.04	2,522	-	-1,224	Available-for-sale financial assets	Initial shares
000166	Shenwan Hongyuan	2,000	-	0.02	13,664	244	11,664	Available-for-sale financial assets	Initial shares
000939	Kaidi Ecological	2,502	1.10	1.10	131,775	-	-15,666	Available-for-sale financial assets	Initial shares
600642	Shenergy	188	0.01	0.01	266	9	-74	Available-for-sale financial assets	Initial shares
Total		111,821	/	/	436,594	12,564	-41,875	/	/

BUSINESS DISCUSSION AND ANALYSIS

Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment amount (RMB)	Number of shares held (share)	Percentage of shareholding to the company (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	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	-	-	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	2,751,052	-	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	924,693	-	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	-	-	-	-616,138	-	Available-for-sale financial assets	By acquisition
Wuhan Iron & Steel Group Financial Corporation Limited (武漢鋼鐵集團財務公司)	2,000,000	-	0.13	2,000,000	268,000	-	Available-for-sale financial assets	By acquisition
Total	88,465,280	-	-	76,793,680	3,327,607	- /	/	/

(VI) Disposal of material assets and equity

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

(VII) Analysis on holding company and joint stock company

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

(VIII) Structured entities controlled by the Company

The Company did not control any structured entities during the Reporting Period.

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

(I) Landscape and trend of the industry

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

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

BUSINESS DISCUSSION AND ANALYSIS

The market of environmental engineering & alternative energy has ample room for development with promising prospect. Under the “Thirteenth Five-Year” Plan, the investment in environmental protection will be increasing by over 20%, in particular, there will be rapid development in energy technology innovation, energy management contracting and multi-pollutant treatment. Rapid development was seen in the establishment of special engineering and, by capturing the upward trend in the future, it is expected that 59 theme parks and 5 water parks will be put into operation by 2020 with a total investment of RMB150 billion.

There was a slowdown in the real estate market and it is expected to have a stable development under the “Thirteenth Five-Year” Plan. During which, total demand for commodity properties will be approximately 5.3 billion sq.m. with development investment of approximately RMB37.7 trillion. There will be increased operational risks, intensified market competitiveness and greater pressure from transformation.

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

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

(II) Development strategy of the Company

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

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

Major force for fundamental construction: Seizing the “One Belt, One Road” policy, tapping the huge potential in infrastructure construction across the countries and regions along the belt and road, grasping the changing trend of domestic consumption patterns and the requirements under the energy conservation and environmental protection policy, endeavoring to develop its differentiated business, enhancing the combination of techniques and capital, and endeavoring for being the main force for the national fundamental construction and the implementation of the “One Belt, One Road” strategy in fundamental construction business areas including transport infrastructure, park development, urban complex and landmark buildings.

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

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

BUSINESS DISCUSSION AND ANALYSIS

(III) Operational plan

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

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

(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 various factors, such as operating condition of the macro-economies of the State, fixed assets investments in the iron and steel industry, development of the construction industry and urbanization process, etc. Currently, the world economy is under deep adjustment. With the expanding impact on economy by complicated and changing situation of international politics, changes in and adjustment to internal and external policies upon the new president of the United States and the reverse capital flow due to low interest rate, these factors intensify the uncertainty of economic recovery process. The domestic economy is at the key stage of growth rate alternation, structural adjustment and change in driving forces under the “new normal”, which places a downside pressure to the economy; and there is still a decreasing trend in investments, which will bring uncertainties to the business development of the Company. The Company will manage reasonable expectations, adjust its operating strategies and leverage on its conditions of active development in order to realize stable development.

2. *Risks associated with traditional metallurgical engineering business segment*

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

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

BUSINESS DISCUSSION AND ANALYSIS

3. Risks associated with the non-steel engineering segment

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

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

4. Risks associated with the property development business segment

With the end of the fast growing period of the property industry and the beginning of a mature period of relatively stable growth, the Company will 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 property industry and control mechanism of the property 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 equipment manufacture business segment

In recent years, the investment scale and range of original customer base of the Company has been reduced due to the slowdown of the global economy, severe overcapacity in the Chinese iron and steel industry, and the significant cut-down in the investment of iron and steel industry, which bring certain challenges to the development of the equipment manufacture business of the Company. Despite all that, technological transformation and the entire production and processing which focus on traditional metallurgical product upgrade should satisfy the crucial need of the new concept of environmental protection and bring new market opportunities for the metallurgical equipment manufacture business of the Company to provide customers with products and services with high technology and higher added value through making full use of professional advantages of the Company and based on a “professional, refined, special and new” development thinking. Meanwhile, the Company has further strengthened the efforts on macro-control of steel structure business in order to form a collaborative model of production and research, promote integration of regional resources and optimize resource deployment, and continuously expand the equipment manufacture business market of the Company.

6. Risks associated with international operations

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

SIGNIFICANT EVENTS

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, administrative 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 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 to one of the following:

- ① the Company's operating net cash flow is negative;
 - ② such other occasions 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 will then be passed and 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. **2016 Profit Distribution Proposal**

MCC's consolidated net profit in the audited consolidated statement attributable to Shareholders of the Company in 2016 was RMB5,375,858,700, and MCC's undistributed profit was RMB3,457,915,900. The Company proposed to use the total share capital of 20.724 billion shares as the base to distribute to all shareholders a cash dividend of RMB0.60 (tax inclusive) will be distributed for every 10 shares and the total cash dividend is RMB1,243,417,200, accounting for 23.13% of the net profit attributable to the Shareholders of the Company in the consolidated statement. The remaining undistributed dividend of RMB2,214,498,700 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 2016 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 the distribution amount and proportion of each share both recorded a growth as compared with last year, reflecting a sound development and a sustained and stable dividend capability of MCC. Meanwhile, after the profit distribution, the retained portion will be used in supporting the operating development of the Company, and advancing the value of the Company as a whole, which meets the fundamental interests of the Shareholders.

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

All entities comprising MCC actively participated in the construction of urban infrastructure and PPP projects in order to further reinforce the market competitiveness and sustainability of such entities. Retained profit will be used to increase capital investment in such entities and support the liquidity necessary for daily operations. 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 2016 profit distribution proposal complies with the provisions of the relevant laws, regulations and the Articles of Association, reflects the rationality and moderate growth 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. The interests of small or medium Shareholders are not impaired. We agree to the Resolution regarding MCC's 2016 Profit Distribution 《關於中國中冶2016年度利潤分配的議案》 and agree to submit the same to the 2016 annual general meeting for consideration and approval.

SIGNIFICANT EVENTS

(II) The plans or proposals for dividends 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 holders of shares of the listed company in the consolidated statement for the dividend year	accounted for by net profit attributable to holders of shares of the listed company in the consolidated statement (%)
2016	0	0.60	0	1,243,417	5,375,858	23.13
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

II. PERFORMANCE OF UNDERTAKINGS

(I) Undertakings made by relevant parties such as de facto controllers, Shareholders, related parties and acquirers of the Company and the Company during Reporting Period or subsisting to the Reporting Period

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	Note	-	-
	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	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	-	-

Note: For details, please refer to the Announcement on the Progress of Undertakings from Relevant Entities of the Company disclosed on 29 March 2017.

SIGNIFICANT EVENTS

III. THE STATUS OF CAPITAL USED AND SETTLEMENT DURING THE REPORTING PERIOD

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

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: yuan Currency: RMB

Current Appointment

Name of the accounting firm	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)
Remuneration of the accounting firm	20,700,000
Term of audit by the accounting firm	3 years

	Name	Remuneration
Accounting firm for internal control audit	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)	2,700,000
Sponsor	CITIC Securities Company Limited	0 ⁽¹⁾

Note (1): CITIC Securities Company Limited, as a sponsor and lead underwriter for the non-public issuance of A Shares of the Company, has entered into an agreement with the Company for not charging any fee regarding the sponsorship of the non-public issuance and the sustained supervisory services.

Description of appointment and dismissal of accounting firm

Upon approval at the 2015 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) ("Deloitte Touche Tohmatsu") as its auditors for the year 2016, and was responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the Accounting Standard for Business Enterprises. Meanwhile, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided statutory financial audit services for part of the subsidiaries.

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

Deloitte Touche Tohmatsu has provided annual audit services for the Company for three consecutive years. The signing certified public accountants for the 2016 audit report are Ma Yan Mei, Chen Wen Long, whom have acted as the signing certified public accountants and have been providing audit services for the Company for three consecutive years.

V. RISK EXPOSURES TO SUSPENSION OF LISTING

(I) Reasons for suspension of listing

Applicable Not Applicable

(II) Measures proposed to be adopted by the Company

Applicable Not Applicable

SIGNIFICANT EVENTS

VI. SITUATION OF AND REASONS FOR DELISTING

Applicable Not Applicable

VII. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable

VIII. MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, there were no material litigation and arbitration that cause material impact on the production and operation of the Company.

IX. 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

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

During the Reporting Period, the Company and its Controlling Shareholder, MCC Group, 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 any other similar circumstances.

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

(I) **Relevant incentive events disclosed in temporary announcements without further development or change in subsequent implementation**

Applicable Not Applicable

(II) **Incentive events not disclosed in temporary announcements or with subsequent progress**

Equity incentives

During the Reporting Period, the Company had no equity incentives plan.

Employee Stock Ownership Plan

In accordance with the Opinion on Commencement of Pilot Employee Stock Ownership by Stated-Owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133) (《關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革[2016]133號)) and the Notice on Relevant Issues Concerning Commencement of Pilot Employee Stock Ownership by Central Enterprises (Guo Zi Ting Gai Ge [2016] No. 565) (《關於中央企業開展員工持股試點有關事項的通知》(國資廳改革[2016]565號)), and in order to establish a mechanism for benefit sharing and risk bearing between enterprise and the staff, sufficiently transfer the initiative and creativity of staff and stimulate the vitality of the enterprise, the subsidiaries of MCC who fulfilled the requirements and had advantages in respect of enterprises concerning pilot employee stock ownership as stipulated by the SASAC have been keen on joining such scheme, and finally the Group proposed CISDI to be a recommended enterprise for pilot employee stock ownership, subject to approval from the SASAC. After final discussion and consideration, such proposal was not included in the first batch of SASAC pilot enterprises, but was listed as a reserve enterprise for pilot employee stock ownership of the SASAC.

SIGNIFICANT EVENTS

XII. MATERIAL CONNECTED TRANSACTIONS/CONNECTED TRANSACTIONS

(I) Connected transactions related to day-to-day operation/continuing connected transactions

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	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	-	48,466	6.25	-	-	-
China Minmetals and its subsidiaries (Except MCC) ⁽¹⁾	Indirect controlling shareholder	Purchase of commodities	Purchase of raw material, products and services	agreed price	-	598,600	0.38	-	-	-
China Minmetals and its subsidiaries (Except MCC) ⁽¹⁾	Indirect controlling shareholder	Provision of labour services	Provision of raw material, products and services	agreed price	-	293,191	0.15	-	-	-
Total				/	/	940,257	/	/	/	
Details of substantial sales return										N/A
Description of connected transaction										N/A

Note (1): On 8 December 2015, the Company received a notice from MCC Group that, the SASAC of the State Council approved the strategic restructuring between MCC Group and China Minmetals, whereby the entire MCC Group will be consolidated into China Minmetals. As of the date of this Report, the relevant changes of the equity interests have not been completed. In accordance with the Guidelines of the Shanghai Stock Exchange on Related Party Transactions of Listed Companies, China Minmetals and its subsidiaries (except MCC) constitute a connected person of the Company under the A Share Listing Rules, but the connected transaction between the Company and China Minmetals does not constitute a connected transaction or continuing connected transaction as defined under Chapter 14A of H Share Listing Rules.

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 19th meeting of the second session of the Board of Directors was convened on 28–29 March 2016, and considered and approved the Resolution in relation to the Application of Annual Caps for the Routine Connected Transactions/Continuing Connected Transactions between MCC and China Minmetals for 2016–2017. The agreed cap for the routine connected transactions for provision of raw material, products and services between the Company and China Minmetals for 2016–2017 was amounted to RMB500 million and RMB500 million, respectively, while the cap for the routine connected transactions for purchase of raw material, products and services from China Minmetals for 2016–2017 was amounted to RMB650 million and RMB650 million, respectively;

SIGNIFICANT EVENTS

The Company's Independent Non-executive Directors have reviewed the aforementioned connected transactions with MCC Group 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 with MCC Group disclosed by the Company on pages 63 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.

XIII. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Trusteeship, contracting and leasing

During the Reporting Period, the Company had no material trusteeship, contracting and leasing.

(II) Guarantees

Unit: Yuan Currency: RMB

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)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Amount under the guarantee	Whether any counter guarantee was available	Whether guarantee for a related party	Connected relationship
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	90,000,000 ⁽¹⁾	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 Equipment Technology Co., Ltd.	63,000,000 ⁽²⁾	2 February 2010	2 February 2010	2 December 2017	Under joint liabilities	No	No	0	No	No	-

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	-149,600,000
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	153,000,000

SIGNIFICANT EVENTS

Guarantees provided by the Company and its subsidiaries to its subsidiaries

Total amount of guarantees provided to its subsidiaries during the Reporting Period	2,489,198,651.54
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)	13,212,351,651.54

Total guarantees provided by the Company (including guarantees to subsidiaries)

Total amount of guarantees (A+B)	13,365,351,651.54
Total amount of guarantees as a percentage of the Company's net assets (%)	18.91%
Including:	
Amount of guarantees provided to shareholders, the de facto controller and their related parties (C)	
Debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	12,372,795,088.54
The excess of total amount of guarantees over 50% of the net assets (E)	
Total amount of guarantees of 3 above items (C+D+E)	12,372,795,088.54
Explanation on the potential joint liquidity liability arising from the outstanding guarantees	None
Explanation on the guarantees	None

- Notes:
- (1) The previous total amount of guarantees was RMB247.80 million. According to the loan and guarantee agreement, loans are consecutively falling due during the guaranteed period. The amount of guarantees was RMB90.00 million as at the end of the Reporting Period.
 - (2) The previous total amount of guarantees was RMB354.00 million. According to the loan and guarantee agreement, loans are consecutively falling due during the guaranteed period. The amount of guarantees was RMB63.00 million as at the end of the Reporting Period.

(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.

2. Entrusted loans

Unit: RMB'000

Lender	Name of the borrower	Amount of entrusted loan	Term of loan	Interest rate of loan (%)	Use 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
MCC Real Estate Group Co., Ltd.	Hebei MCC Mingrun Real Estate Co., Ltd.	90,000	2016/1/26 to 2017/1/25	5.7	Project development	No	No	No	No	No	-	4,859.25
MCC Real Estate Group Co., Ltd.	Hebei MCC Mingrun Real Estate Co., Ltd.	18,000	2016/8/10 to 2017/8/9	5.7	Project development	No	No	No	No	No	-	410.40
MCC Real Estate Group Co., Ltd.	Guangzhou MCC Minghui Real Estate Co., Ltd.	160,000	2016/10/13 to 2017/10/12	5.7	Project development	No	No	No	No	No	-	2,026.67

SIGNIFICANT EVENTS

3. Other investments and financial management and investments in derivatives

Applicable Not Applicable

(IV) Other material contracts

1. Set out below are material contracts of engineering contracting 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	Construction Project of the Integrated Piping System and Integrated Roads in the Commencement Area of Airport New Town (空港新城啟動區綜合管廊及道路一體化工程)	68.6	China MCC20 Group Co., Ltd.	72 months
2	Renovation and Construction Project in Shantytown Area of Laoyachen, Zhangzhai and Shuangqiao Village of Huiji District in Zhengzhou City (Phase I) (PPP Project) (鄭州市惠濟區老鴉陳、張砦、雙橋村棚戶區改造建設項目(一期工程)(PPP項目))	67.0	MCC Communication Construction Group Co., Ltd.	36 months
3	PPP Project for the Construction of Integrated Subterranean Piping Systems in Xi'an City (PPP Project) (西安市地下綜合管廊建設PPP項目(PPP項目))	62.9	China MCC17 Group Co., Ltd.	60 months
4	EPC Construction Contract for Longxiang International Business Center Project in Changchun (長春龍翔國際商務中心項目EPC建設合同)	49.0	Shanghai Baoye Group Corp., Ltd.	36 months
5	Project for the Construction of 25 Pipelines under the Integrated Subterranean Piping System (Phase I) (PPP Project) in Langzhou New District (蘭州新區地下綜合管廊一期工程25條管廊項目(PPP項目))	46.5	CISDI Group Co., Ltd.	24 months
6	Ziyun-Wangmo Section of Chishui-Wangmo Highway in Guizhou Province (PPP Project) (貴州省赤水至望謨高速公路紫雲至望謨段(PPP項目))	41.7	MCC Communication Construction Group Co., Ltd.	36 months
7	PPP Project for the Construction of Health Industrial Park (Phase I and II) in Fujian Province (PPP Project) (福建健康產業園(一期、二期)建設工程(PPP項目)(PPP項目))	40.0	China MCC20 Group Co., Ltd.	120 months
8	PPP Construction Project of New Urbanization and Infrastructure in Huangshi Economic and Technological Development Zone (PPP Project) (黃石經濟技術開發區新型城鎮化及基礎設施PPP建設項目(PPP項目))	37.7	Huatian Engineering & Technology Corporation, MCC	144 months
9	General Contracting Engineering for Survey, Design and Construction Project for Urbanization Construction Project (Phase I) in Jingzhou Development Zone (荊州開發區第一期城鎮化建設項目勘察設計施工總承包工程)	36.1	China First Metallurgical Group Co., Ltd.	49 months
10	Project for the Construction of the Integrated Piping System and Eastern Municipal Road Network in Changchun Airport Economic Development Zone (PPP Project) (長春空港經濟開發區綜合管廊及市政路網東區項目(PPP項目))	35.6	China 22MCC Group Co., Ltd.	Depending on progress
11	EPC Contract of PPP Project for Comprehensive Treatment of Water Environment in Urban Central Area of Ma'anshan (PPP Project) (馬鞍山市中心城區水環境綜合治理PPP項目EPC總承包合同(PPP項目))	34.8	Huatian Engineering & Technology Corporation, MCC	50 months
12	Infrastructure Construction in Commencement Area of Qingfeng Cluster of Chongqing Shapingba Industrial Park (PPP Project) (重慶沙坪壩工業園青鳳組團啟動區基礎設施建設(PPP項目))	30.0	China MCC17 Group Co., Ltd.	60 months
13	Dongfang Dragon Valley Indoor Theme Park (東方龍之谷室內樂園)	30.0	Shanghai Baoye Group Corp., Ltd.	36 months
14	E-commerce Logistic Centre Project for Shunji Agricultural Products in Shijiazhuang (石家莊順吉農產品電商物流中心項目)	30.0	China Second Metallurgical Group Corporation Limited	36 months

SIGNIFICANT EVENTS

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party/ Parties	Performance Term
15	Youhexigu International Resort Base Project for Health Maintenance in Nanshan, Hangzhou (杭州南山•悠鶴溪谷國際養生度假基地工程)	29.8	China MCC20 Group Co., Ltd.	72 months
16	General Contracting Construction of PPP Project for Construction of High-Speed Railway New Town in Jianyang, Sichuan (Phase I) (PPP Project) (四川省簡陽市高鐵新城一期建設PPP項目施工總承包項目(PPP項目))	29.5	China MCC5 Group Co., Ltd.	18 months
17	EPC Contract for Construction of New Energy Vehicle Manufacturing in New Energy Industry Park of Jinshan High-Tech Development Area in Hohhot (PPP Project) (呼和浩特金山高新技術開發區新 能源產業園區新能源汽車製造項目建設工程施工總承包合同(PPP項目))	29.3	China First Metallurgical Group Co., Ltd.	44 months
18	Construction Engineering for Investment and Financing of Section I of Xiantao Data Valley in Yubei District, Chongqing (Phase II) (PPP Project) (重慶渝北區仙桃數據谷二期一標段投融資建設工程(PPP項目))	29.0	China MCC5 Group Co., Ltd.	24 months
19	PPP Project for Sandu-Libo Highway in Guizhou Province (貴州省三都至荔波高速公路PPP項目)	28.0	MCC Communication Construction Group Co., Ltd.	36 months
20	PPP Project for "Heart of Yangluo" of Yangluo Economic Development Zone in Wuhan (武漢陽邏經濟開發區"陽邏之心"PPP項目)	26.9	China MCC 20 Group Co., Ltd.	36 months
21	Project for Sansui-Shibing Section of Tianzhu-Huangping Expressway in Guizhou (PPP Project) (貴州省天柱至黃平高速公路三穗至施秉段項目(PPP項目))	26.0	MCC TianGong Group Corporation Limited	36 months
22	General Contracting Project of TOP Territory Construction in Baoding City (保定市TOP領地工程施工總承包工程)	25.0	China MCC20 Group Co., Ltd.	Depending on progress
23	G320 Xiangtan City Line Construction (Phase III) (PPP Project) (G320湘潭繞城線三期工程(PPP項目))	24.9	China First Metallurgical Group Co., Ltd.	Depending on progress
24	Red Scarf Park Project in Chaoyang, Beijing (北京市朝陽區紅領巾公園項目)	24.0	China First Metallurgical Group Co., Ltd.	40 months
25	Phase I Project of Industrial New City in Suining Economic and Technological Development Zone (遂寧經濟技術開發區產業新城一期項目)	22.8	MCC Communication Construction Group Co., Ltd.	36 months
26	General Service Agreement of "Unification of Construction and Maintenance" for Rural Highway of "Thirteenth Five-year Plan" in Qiandongnan County (黔东南州"十三五"農村公路"建養一體化"總體服務協議)	22.2	Shanghai Baoye Group Corp., Ltd.	33 months
27	Upgrade and Renovation Project for Urban Infrastructure of Xianning High-tech Industrial Development Zone (Phase III) and Project for Integration of Investment and Construction for Five Projects Including Changling Village of Xianning High-tech Industrial Development Zone (咸寧高新區(三期)城市基礎設施升級配套改造工程、咸寧高新區長嶺村等五個項目投資建設一體化項目)	22.0	China First Metallurgical Group Co., Ltd.	36 months
28	EPC Contract of Technological Improvement Project for Vintage Engineering (Lot II) (釀酒工程技改項目設計施工總承包(EPC)二標段)	21.9	China MCC5 Group Co., Ltd.	20 months
29	Project of Housing and Ancillary Facilities in Lots A1, A2 and A4 of Living City in Yangzhou (揚州京華城中城A1、A2、A4地塊房屋及配套設施項目)	20.0	Shanghai Baoye Group Corp., Ltd.	43 months
30	Nansheng Ounan Industrial City Project in Pingyang (平陽楠盛•甌南產業城工程)	20.0	China MCC20 Group Co., Ltd.	12 months
31	Infrastructure Construction at Yuechi County Park Area, Living Environment Upgrade along Guangyue Avenue to Xiangfeng Avenue and Construction of Featured Bazaar Town (PPP Project) (岳池縣園區基礎設施建設、廣岳大道-翔鳳大道沿線人居環境整治、特色集鎮建設(PPP項目))	20.0	China MCC 19 Group Co., Ltd.	24 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	The Resort Town Project in Clark, the Philippines (菲律賓克拉克度假城項目)	55.5	MCC International Incorporation Ltd.	60 months
2	Contract for Comprehensive Development Project of Natural Sandy Forest (1.3 Million Mu) in Papua Province, Indonesia (Phase I) (印尼巴布亞省130萬畝天然莎谷林綜合開發項目一期合同)	41.2	China MCC 22 Group Co., Ltd.	36 months
3	Assisted Living and Memory Care Facilities Project in California and Florida (加利福尼亞和佛羅裡達輔助居住及記憶保健設施項目)	35.8	MCC Overseas Ltd.	48 months
4	The Equipment Set for the 3.5 Million-tonne Iron and Steel Project in the China-Malaysia Kuantan Industrial Park in Malaysia (馬來西亞馬中關丹產業園350萬噸鋼鐵項目設備成套)	29.6	CISDI Group Co., Ltd.	18 months
5	Saipan Integrated Resorts Project (Phase II) (塞班島綜合度假村項目(二期))	24.3	MCC International Incorporation Ltd.	20 months
6	Construction Completion and Maintenance Project of 6.5 Ring Road in Kuwait (科威特6.5環道路建設完工維護工程項目)	21.6	MCC International Incorporation Ltd.	36 months
7	KL Northgate Commercial Complex Project (吉隆坡北大門商業綜合體項目)	21.1	MCC Overseas Ltd.	36 months

XIV. EXPLANATION ON OTHER SIGNIFICANT EVENTS

Applicable Not Applicable

XV. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

(I) Performance of poverty alleviation by the Company

1. Targeted poverty alleviation programs

During the period between 2011 and 2020, the duo-targets of poverty alleviation of the Company assigned by the central units to the Company were Yanhe Tujia Autonomous County and Dejiang County in Tongren, Guizhou.

2. Summary of targeted poverty alleviation for the year

In 2016, MCC kept in close contact with Yanhe Tujia Autonomous County and Dejiang County in Guizhou Province, the targets of the targeted poverty alleviation. Zhou Peicheng, the first secretary assigned by MCC to Zhonghua Village, Jiancha Town in Dejiang County was honored as the outstanding village-based first secretary in Guizhou Province for the synchronized wealth development. By the end of December, the Company determined the second batch of two temporary cadres for targeted poverty alleviation and they will assume office at the beginning of 2017.

SIGNIFICANT EVENTS

Each subsidiary of MCC proactively participated in the poverty alleviation work in its own location and project area. In 2016, the total capital contribution amounted to RMB1,364,300 and the worth of donated materials amounted to RMB60,700. Through the constant effort in industrial development, relocation, education, healthcare and ecological protection, MCC helped 2,132 registered needy people get out of poverty.

3. Statistical table of targeted poverty alleviation work of the Company for 2016

Unit: RMB0'000

Indicator	Amount and details
I. Overall situation	
Including: 1. Funds	136.43
2. Worth of materials	6.07
3. Number of beneficiaries in recorded poor population (<i>person</i>)	2,132
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including: 1.1 Type of industrial poverty alleviation project	<input checked="" type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input checked="" type="checkbox"/> E-commerce <input type="checkbox"/> Assets income <input type="checkbox"/> Science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (<i>unit</i>)	2
1.3 Contribution to industrial poverty alleviation projects	6.20
1.4 Number of beneficiaries in recorded poor population (<i>person</i>)	29
2. Poverty alleviation by relocation	77 households
Including: 2.1 Number of beneficiaries under employment from relocated families (<i>person</i>)	
3. Poverty alleviation by education	
Including: 3.1 Contribution to subsidize students in poverty	16.45
3.2 Number of students in poverty being subsidized (<i>person</i>)	162
3.3 Contribution to improve education resources in poverty areas	2.67
4. Poverty alleviation by healthcare	7.47
Including: 4.1 Contribution to medical and healthcare resources in poverty areas	7.47

SIGNIFICANT EVENTS

Indicator	Amount and details
5. Poverty alleviation by ecological conservation Including: 5.1 Project name	3.00 <input checked="" type="checkbox"/> Development of ecological conservation and construction <input type="checkbox"/> Establishment of compensation method for ecological conservation <input type="checkbox"/> Setting up a position for ecological public welfare <input type="checkbox"/> Others
5.2 Amount of contribution	3.00
6. Other projects	
Including: 6.1 Number of projects (<i>unit</i>)	3
6.2 Amount of contribution	100.64
6.3 Number of beneficiaries in recorded poor population (person)	2,103
III. Awards (details and class)	In August 2016, Zhou Peicheng was honored as the outstanding village-based first secretary in Guizhou Province for the synchronized wealth development for 2015.

4. Subsequent targeted poverty alleviation programs

Adhering to the principle of best endeavor, attainable capacity, outstanding precision and emergency tackling, the Company proposes to conduct pilot programs in places with serious "Three Inadequacies" (lack of electricity, water and manpower) problems, overwhelming desire and predominant authority among the grass-root levels in those two counties in 2017. The contribution for the construction of Bazhujing Bridge, Chanxihe Bridge and water supply facilities in Qitan Town, Yanhe County amounted to approximately RMB3.36 million. The contribution for the construction and maintenance of roads, water reservoirs and power supply lines of agricultural farms in Tongjingxiang, Dejiang County amounted to approximately RMB2.07 million. The total contribution for the two counties amounted to RMB5.43 million.

(II) Performance of social responsibilities

For details, please refer to the 2016 Social Responsibility Report separately disclosed by the Company.

(III) Environmental protection of the Company and its subsidiaries categorized as major sewage discharge enterprises as published by the environmental protection department

During the Reporting Period, the Company was not involved in the highly polluting industries as stipulated by the Ministry of Environmental Protection.

XVI. 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 registered at China Securities Depository and Clearing Company Limited.

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

2. Explanation on the changes in ordinary shares

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

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

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

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

(II) Change in shares subject to selling restrictions

During the Reporting Period, there were no changes in shares subject to selling restrictions of the Company registered at China Securities Depository and Clearing Company Limited. For changes in shares subject to selling restrictions incurred by the non-public issuance of A shares of the Company completed on 6 January 2017, please refer to “(II) Issuance and listing of securities”.

II. ISSUANCE AND LISTING OF SECURITIES

(I) Issuance of securities during the Reporting Period

Unit: Share Currency: RMB

Type of shares and its derivatives	Issuance date	Issue price (or interest rate)	Number of shares issued	Listing date	Number of shares approved for listing and trading	Termination date of transaction
Non-public issuance of A Shares	2016-12-26	3.86/share	1,613,619,170	2017-01-06	1,613,619,170	-

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

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

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

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

On 30 December 2016, all funds raised from the non-public issuance of A Shares were transferred to the account designated by the Company. Upon completion of the issuance, net proceeds amounted to RMB6,173,491 thousand after deducting relevant issuance fees. The Company will stringently comply with the arrangement of the use of proceeds: first, RMB4.36 billion will be used for funding projects and currently the funds are deposited in the account of A share raised funds of the Company; second, RMB1.813 billion will be used for replenishment of current capital and repayment of bank loans. In January 2017, all the amounts were used for repayment of bank loans. The procedures for the registration and depository of the issuance of new shares were completed on 6 January 2017, details of which are set out in the relevant announcement of the Company dated 10 January 2017.

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

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

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

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

(III) Existing internal employee shares

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

III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of Shareholders

Total number of ordinary Shareholders as of the end of the Reporting Period	551,009
Total number of ordinary Shareholders of the Company as at 28 February 2017	527,034

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

Unit: Share

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

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 (中國冶金科工集團有限公司)	12,265,108,500	RMB-denominated ordinary shares	12,265,108,500
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	2,841,765,000	Overseas-listed foreign shares	2,841,765,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	305,064,410	RMB-denominated ordinary shares	305,064,410
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classified Fund (中國農業銀行股份有限公司 – 富國中證國有企業改革指數分級證券投資基金)	44,428,400	RMB-denominated ordinary shares	44,428,400
Jin Xiaoqi (靳曉齊)	25,984,657	RMB-denominated ordinary shares	25,984,657
Evergrande Life Insurance Company Limited – Comprehensive Portfolio B (恒大人壽保險有限公司 – 萬能組合B)	20,758,400	RMB-denominated ordinary shares	20,758,400
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	20,543,436	RMB-denominated ordinary shares	20,543,436
Evergrande Life Insurance Company Limited – Conventional Portfolio A (恒大人壽保險有限公司 – 傳統組合A)	15,601,560	RMB-denominated ordinary shares	15,601,560
Huang Canliang (黃燦良)	14,005,160	RMB-denominated ordinary shares	14,005,160

Explanations on the connections or parties acting in concert among the aforesaid Shareholders
Preferential Shareholders with resumed voting rights and their shareholdings

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

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

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

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

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

Unit: Share

Name of Shareholder	Number of tradable shares subject to selling restrictions held	Types of shares
Huatai Asset Management Company Ltd. – Strategic Investment Products (華泰資產管理有限公司－策略投資產品)	185,220,207	RMB-denominated ordinary shares
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	RMB-denominated ordinary shares
Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust • Bohui No. 45 Collective Fund Trust (鵬華資產－招商銀行－華潤深國投信託－華潤信託•博睿45號集合資金信託計劃)	161,580,310	RMB-denominated ordinary shares
CCB Principal Asset – ICBC – Shaanxi International Trust – Shannxi International Investment • Haitang No. 2 Directional Investment Collective Fund Trust (建信基金－工商銀行－陝西國際信託－陝國投•海棠2號定向投資集合資金信託計劃)	161,404,041	RMB-denominated ordinary shares
Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際信託有限公司－雲南信託－華浩1號集合資金信託計劃)	161,404,041	RMB-denominated ordinary shares
Lion Fund – Industrial Securities – Nanjing Shuang'an Asset Management Co., Ltd. (諾安基金－興業證券－南京雙安資產管理有限公司)	161,401,139	RMB-denominated ordinary shares
Caitong Fund – China Everbright Bank – China Galaxy Securities Co., Ltd. (財通基金－光大銀行－中國銀河證券股份有限公司)	51,806,010	RMB-denominated ordinary shares
Corporate Annuity Plan for China Energy Engineering Group Co., Ltd. – Bank of China Limited (中國能源建設集團有限公司企業年金計劃－中國銀行股份有限公司)	43,142,798	RMB-denominated ordinary shares
Caitong Fund – China Everbright Bank – China Galaxy Securities Co., Ltd. (財通基金－光大銀行－中國銀河證券股份有限公司)	38,854,508	RMB-denominated ordinary shares
Huatai Premium Commingled Pension Product – Industrial and Commercial Bank of China Limited (華泰優逸混合型養老金產品－中國工商銀行股份有限公司)	38,854,508	RMB-denominated ordinary shares

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

IV. CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling Shareholder

1. Legal person

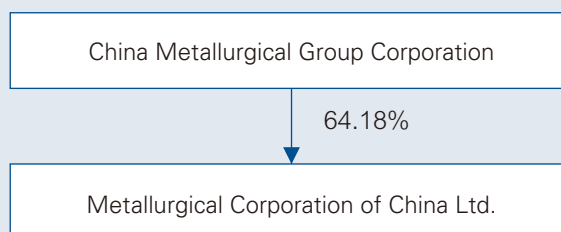
Name	China Metallurgical Group Corporation
Person in charge or legal representative	Guo Wenqing
Date of incorporation	18 December 1982
Principal business Operations	Scope of business operations: General contracting of various kinds of domestic and international engineering; various kinds of engineering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

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

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

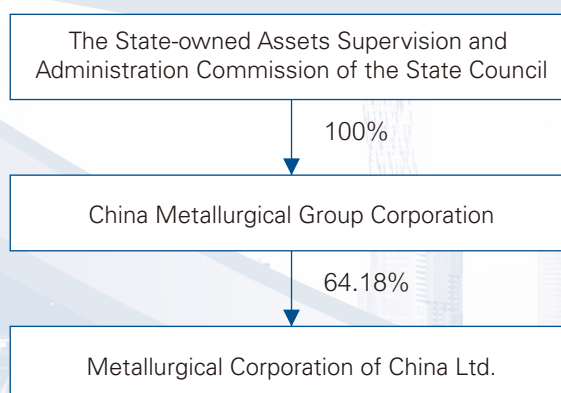


The equity and controlling relationship between the Company and the Controlling Shareholder by the end of the Reporting Period is as above. Upon completion of the registration for the non-public issuance of A Shares by the Company on 6 January 2017, the shareholding percentage of the Controlling Shareholder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

(II) **De facto controller**

The de facto controller of the Company is the SASAC of the State Council.

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



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

On 8 December 2015, the Company received a notice from MCC Group that, pursuant to an overall arrangement made by the Central Committee of the Communist Party of China and the State Council on the comprehensively deepening reform and the general requirements of the reform of state-owned enterprises, the SASAC of the State Council approved the strategic restructuring between MCC Group and China Minmetals 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. The CSRC and the Securities and Futures Commission have exempted the obligation to make a mandatory general offer for shares of the Company due to the strategic restructuring of China Minmetals. As of the date of this Report, the relevant changes of the equity interests have not been completed.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

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 2016, 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 SFO) as recorded in the register required to be kept under Section 352 of the SFO, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix X of the Listing Rules of the Hong Kong Stock Exchange 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 Wengqing	Chairman and executive Director	A Shares	Long position	Beneficial owner	130,000	0	0
Zhang Zhaoxiang	Vice chairman 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							
Peng Haiqing	Supervisor	A Shares	Long position	Beneficial owner	41,500	0	0
Shao Bo	Employee representative Supervisor	A Shares	Long position	Beneficial owner	33,800	0	0
				Interests of spouse	1,000	0	0
Li Shiyu	Supervisor (resigned)	A Shares	Long position	Beneficial owner	60,000 ⁽¹⁾	0	0
Chief executives (President)							
Zhang Mengxing	President	A Shares	Long position	Beneficial owner	60,032	0	0

Note (1): On 30 June 2016, Mr. Li Shiyu resigned from the positions of Supervisor and the chairman of the Supervisory Committee of the Company due to the attainment of the statutory retirement age. Mr. Li Shiyu has continued to perform duties as a Supervisor from the date of his resignation until the assumption of office by the Supervisor elected at the 2016 second extraordinary general meeting of the Company held on 23 August 2016. Such figures are the shareholding when he resigned.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Save as disclosed above and as at 31 December 2016, 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 SFO) which are recorded in the register of the Company required to be kept pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange by Directors or Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules.

(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 2016, 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
Zou Hongying	Vice President and Chief Accountant	A Shares	Long position	Beneficial owner	40,000	0	0
Qu Yang	Vice President	H Shares	Long position	Beneficial owner	70,000	0	0
Li Yuzhuo	Secretary to the Board	A Shares	Long position	Beneficial owner	55,000	0	0
Xiao Xuewen	Vice President and Secretary to the Board (resigned)	A Shares	Long position	Interests of spouse	161,000 ⁽¹⁾	0	0

Note (1): On 26 October 2016, Mr. Xiao Xuewen ceased to serve as the vice president and secretary to the Board of the Company due to job re-arrangement. Such figures are the shareholding when he resigned.

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

As at 31 December 2016, 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 SFO:

Holders of A Shares

Unit: Share

Name of substantial shareholder	Capacity	Number of A Shares	Nature of interest	Approximate percentage of the total issued A Shares (%)	Approximate percentage of the 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 2016, no other person or corporation was recorded in the register required to be kept under Section 336 of the SFO 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 SFO.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Holders of H Shares

Unit: Share

Name of substantial shareholder	Capacity	Number of H Shares	Nature of interest	Approximate percentage of the total issued H Shares (%)	Approximate percentage of the total issued shares (%)
BlackRock, Inc.	Interest of a controlled corporation	199,793,904	Long position	6.96	1.05

Note: BlackRock, Inc. holds long position of H Shares in total of 199,793,904 through various entities it controls. Besides, long position of H Shares in total of 5,023,000 is related to derivative instruments classified as non-listed derivative instrument – settlement in cash.

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2016, no other person or corporation was recorded in the register required to be kept under Section 336 of the SFO 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 SFO.

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

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

IX. MINIMUM PUBLIC FLOAT

During the Reporting Period and as of the latest practicable date prior to the publication of this report (i.e. 28 March 2017), 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 issue new shares to its existing Shareholders in proportion to their current equity ratio. Subject to the Hong Kong Listing Rules and 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 required 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 changes in 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 (RMB'000)	Whether obtained remuneration from the connected parties of the Company
Guo Wengqing	Chairman and executive Director	Male	52	2014-11-13	Till the expiry date of the term of office of the second session of the Board	130,000	130,000	0	-	20.77	Yes
Zhang Zhaoxiang	Vice chairman and executive Director	Male	53	2016-10-26 2014-11-13	Till the expiry date of the term of office of the second session of the Board	80,000	80,000	0	-	19.96	Yes
Jing Tianliang	Non-executive Director	Male	71	2014-11-13	Till the expiry date of the term of office of the second session of the Board	117,500	117,500	0	-	12.90	No
Yu Hailong	Independent Non-executive Director	Male	66	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
Ren Xudong	Independent Non-executive Director	Male	63	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
Chan Ka Keung Peter	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
Lin Jinzhen	Employee representative Director	Male	55	2014-11-13	Till the expiry date of the term of office of the second session of the Board	60,000	60,000	0	-	85.48	No
Yan Aizhong	Supervisor	Male	49	2016-8-23	Till the expiry date of the term of office of the second session of the Supervisory Committee	0	0	0	-	31.03	No
Peng Haiqing	Supervisor	Male	45	2014-11-13	Till the expiry date of the term of office of the second session of the Supervisory Committee	41,500	41,500	0	-	68.12	No
Shao Bo	Employee representative Director	Male	53	2014-11-13	Till the expiry date of the term of office of the second session of the Supervisory Committee	34,800 ⁽¹⁾	34,800 ⁽¹⁾	0	-	78.92	No
Zhang Mengxing	President	Male	53	2016-10-26	Till the appointment of the next session of senior management by the next session of the Board	60,032	60,032	0	-	64.01	No
Wang Yongguang	Vice President	Male	58	2014-11-13	Till the appointment of the next session of senior management by the next session of the Board	50,000	50,000	0	-	78.64	No
Zou Hongying	Vice President and General Accountant	Female	52	2015-5-12	Till the appointment of the next session of senior management by the next session of the Board	40,000	40,000	0	-	64.01	No
Wang Shilei	Vice President	Male	49	2016-10-26	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	0.00 ⁽²⁾	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 (RMB'000)	Whether obtained remuneration from the connected parties of the Company
Qu Yang	Vice President	Male	46	2016-10-26	Till the appointment of the next session of senior management by the next session of the Board	70,000	70,000	0	-	9.92	No
Li Yuzhuo	Secretary to the Board	Female	44	2016-10-26	Till the appointment of the next session of senior management by the next session of the Board	55,000	55,000	0	-	7.71	No
Xiao Xuewen	Former Vice President and Secretary to the Board	Male	48	2015-5-12 2015-7-6	2016-10-26	161,000 ⁽¹⁾	161,000 ⁽¹⁾⁽²⁾	0	-	64.01	No
Li Shiyu	Former chairman of the Supervisory Committee	Male	60	2015-6-26	2016-6-30	60,000	60,000 ⁽²⁾	0	-	63.09	No
Total	/	/	/	/	/	959,832	925,832	0	/	712.26 ⁽⁴⁾	/

Note (1): The shares of the Company held by Mr. Shao Bo comprise 1,000 shares held by his spouse; the shares of the Company held by Mr. Xiao Xuewen were all held by his spouse.

Note (2): Data shows the number of shares held by him at the time of resignation.

Note (3): During the Reporting Period, Mr. Wang Shilei concurrently served as chairman and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd.. He did not received any remunerations for his position as the vice President of the Company.

Note (4): The discrepancies between total remunerations and total added amounts are caused by rounding up.

Name Major work experience

Guo Wenqing Born in December 1964, Chinese nationality with no right of abode overseas, Mr. Guo is currently the Chairman of the Company (executive Director and legal representative), and concurrently serves as a director, general manager and deputy secretary of the Communist Party Committee of China Minmetals Corporation, 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, during which he served as 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 Chairman (legal representative), general manager and deputy secretary of the Communist Party Committee of MCC Group. From April 2015, he served as Chairman (legal representative) and secretary of the Communist Party Committee of MCC Group. From May 2016, he served as Director, general manager and deputy secretary of the Communist Party Group of China Minmetals Corporation. Meanwhile, he served as secretary of the Communist Party Committee of the Company from August 2012 to October 2016, and Chairman (executive Director and legal representative) of the Company from 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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zhang Zhaoxiang	<p>Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently the vice Chairman, secretary of the Communist Party Committee of the Company, and concurrently the deputy general manager of China Minmetals Corporation, and 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 Central Engineering and Research Institute of Non-ferrous Metallurgical Industries (北京有色冶金設計研究總院), and vice president of Central Engineering Institute for Non-ferrous Metallurgical Industries (中國有色工程設計研究總院). Mr. Zhang served as president and secretary of the Communist Party Committee of Engineering Institute for Non-ferrous Metallurgical Industries from January 2004 to August 2008, 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 from February 2008 to November 2008). From November 2008 to September 2013, Mr. Zhang was a Vice President of the Company. From September 2013 to October 2016, he served as President of the Company, 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 from April 2015, deputy secretary of the Communist Party Committee of the Company from May 2015 to October 2016, deputy general manager of China Minmetals Corporation from June 2016, Vice Chairman and secretary of the Communist Party Committee of the Company from October 2016. 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>
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 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 (國家能源部) and China National Coal Allocation Corporation (中國統配煤礦總公司), chairman and general manager of China Coal Industry 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 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 from 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 from 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 Independent Non-executive Director of the Company, and 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 the Personnel Bureau of the State Economic and Trade Commission (國家經委人事局) from February 1983, director of the office and the 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) from 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) from 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) from 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) from 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 Independent Non-executive Director of the Company, executive 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 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 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 Independent Non-executive Director of the Company and CRRC Corporation Limited (中國中車股份有限公司). Mr. Chan served as a senior assistant of the Audit Department, manager of the Tax Department and senior manager of the 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 the Tax and Investment Advisory Service Department and managing partner of the 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>
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 and concurrently an employee representative director of MCC Group. 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). He has served as employee representative Director of MCC Group since November 2006 and employee representative Director of MCC since October 2012. He served as the head of the 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). Mr. Lin graduated from Northeastern University (東北大學) with a bachelor's degree in mining and construction. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Yan Aizhong	<p>Born in June 1967, Chinese nationality with no right of abode overseas, Mr. Yan is currently the head of the organization department of the Communist Party Committee and a Supervisor of the Company. Mr. Yan successively served as deputy secretary of the Communist Youth League, deputy secretary of the Communist Party Committee and secretary of the Discipline Committee of the Mechanical and Electrical Branch of Baotou Iron & Steel Group Construction Co., Ltd. (包鋼集團建設公司機電公司), deputy secretary of the Communist Party Committee, secretary of the Discipline Committee and secretary of the Communist Party Committee of the Mechanical and Electrical Branch of China Second Metallurgical Construction Corporation Limited (中國第二冶金建設有限責任公司), (subsequently renamed as China Second Metallurgical Group Corporation Limited), and assistant to the general manager of China Second Metallurgical Group Corporation Limited. He served as deputy general manager, deputy secretary of the Communist Party Committee, secretary of the Discipline Committee and chairman of the labour union of China Second Metallurgical Group Corporation Limited from January 2010 to September 2012, head of the promotion department and deputy head of the corporate culture department of the Communist Party Committee of MCC from September 2012 to January 2013, director of the general office of MCC from January 2013 to November 2014 (during which he concurrently served as director of the general office of the board of directors of MCC from May 2014 to November 2014), head of the organization department and head of the human resources department of the Communist Party Committee of MCC from November 2014 to May 2016, and has been the head of the Party Committee organization department of MCC since May 2016. He has been a Supervisor of the Company since August 2016. Mr. Yan graduated from the mechanical and electrical engineering department of Baotou Iron & Steel College, majoring in industrial electrical automation, with a bachelor's degree, and from Inner Mongolia Autonomous Region Committee Party School, majoring in economic management, with a postgraduate degree. He is a professor-level senior engineer.</p>
Peng Haiqing	<p>Born in June 1971, Chinese nationality with no right of abode overseas, Mr. Peng is currently a Supervisor of the Company and deputy director of the finance department of China Minmetals Corporation. Mr. Peng once served as assistant to director of the finance division, deputy director of the enterprise management office and secretary to manager of the 3rd company under Shanghai Baosteel 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 Baosteel 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, has been a Supervisor of the Company since November 2008 and the deputy director of the finance department of the Company from October 2012 to March 2017. He has been the deputy director of the finance department of China Minmetals Corporation since September 2016. 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 bachelors' and master's degrees in accounting. He is a senior accountant.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
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 MCC. 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), investigator (at the level of deputy director) (副處級調研員) of the general office of the Ministry of Metallurgical Industry, assistant to the President and vice president (deputy general manager) of Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Co., Ltd. (北京鋼鐵設計研究總院有限公司), 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 from March 2010, employee supervisor of MCC from January 2011 and head of the corporate management department (subsequently renamed as the corporate strategy and management innovation department) of MCC from 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 postgraduate degree in industrial economics. He is 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 the President and deputy secretary of the Communist Party Committee of the Company, as well as a deputy secretary of the Communist Party Committee of MCC Group. He is currently the chairman of MCC International Incorporation Ltd. Mr. Zhang once served as deputy manager, acting manager and manager of 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 MCC20 Group Corp. Ltd.). From October 2012 to September 2014, Mr. Zhang served as the chairman and secretary of the Communist Party Committee of China MCC20 Group Corp. Ltd. From September 2014 to May 2015, he served as the Chief Economist of the Company and concurrently the chairman of MCC International Incorporation Ltd. He served as vice President of the Company from May 2015 to October 2016. He has been the President and deputy secretary of the Communist Party Committee of the Company, as well as the deputy secretary of the Communist Party Committee of MCC Group since October 2016. 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) with a bachelor's degree in industrial and civilian construction. Mr. Zhang is a professor-level senior engineer.</p>
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 an assistant engineer in Zhangjiakou Gold Mine (張家口金礦) in Hebei Province, engineer in the Mining Office of the Beijing General Research Institute of Mining & Metallurgy, deputy director of the 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 nonmanagement department, manager of the Gansu Branch, director of the Information Center, director-level commissioner of 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 the vice President of the Company since November 2008. Mr. Wang graduated from Northeastern Institute of Technology with a bachelor's degree in mining engineering and Beijing General Research Institute of Mining & Metallurgy with a master's degree in mining engineering. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zou Hongying	<p>Born in September 1964, Chinese nationality with no right of abode overseas, Ms. Zou is currently the vice President and the Chief Accountant of the Company, and concurrently serves as chairman and legal representative of MCC Finance Corporation Ltd., 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 China MCC 22nd 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 the chairman of MCC Finance Corporation Ltd. since March 2007. Since May 2015, she has been the vice President and the Chief Accountant of the Company. Ms. Zou graduated from East China Institute of Technology and subsequently obtained an MBA degree. She is a senior accountant.</p>
Wang Shilei	<p>Born in March 1967, Chinese nationality with no right of abode overseas, Mr. Wang is currently a vice President of the Company and currently serves as chairman and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. (上海寶冶集團有限公司). Mr. Wang Shilei served as deputy section chief, section chief and assistant to the manager of the Industrial Installation and Construction Company of Shanghai Bao Steel Metallurgical Construction Corp. (上海寶鋼冶金建設公司工業安裝工程公司), deputy director of the third operation division of the operation department and deputy director of Zhenjiang Branch of Shanghai Bao Steel Metallurgical Construction Corp., deputy manager of the construction project department of Xiamen International Convention and Exhibition Center, manager of the Industrial Installation and Construction Company of Shanghai Baosteel Metallurgical Construction Corp., and assistant to the general manager of Shanghai Bao Steel Metallurgical Construction Corp.. He served as deputy general manager of Shanghai Baoye Construction Corp., Ltd. (上海寶冶建設有限公司) from January 2003 to October 2006, director and general manager of Shanghai Baoye Construction Corp., Ltd. from October 2006 to November 2014, chairman, general manager and deputy secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from November 2014 to June 2015, chairman, general manager and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from June 2015 to July 2015. He has been the chairman and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from July 2015 to March 2017. He has been a vice President of the Company since October 2016. Mr. Wang Shilei graduated from the Department of Management Engineering of Xi'an Metallurgy Architecture College, majoring in construction management and engineering with a bachelor's degree in engineering. He is a professor-level senior engineer.</p>
Qu Yang	<p>Born in May 1970, Chinese nationality with no right of abode overseas, Mr. Qu is currently a vice President of the Company and currently serves as chairman of MCC Asset Management Co., Ltd. Mr. Qu Yang served as deputy director (section level) and the director (deputy director level) of the technology trade department of the Automation System Research and Design Institution (自動化系統研究設計所), person in charge of the server operation department, secretary of the Communist Party branch, director of the Smart Device Research Institute (智能裝備研究所) and deputy chief engineer of the Automation Research Institute (自動化研究院) of the Ministry of Metallurgy. He served as vice president (deputy general manager) of Beijing MCC Equipment Research & Design Corporation Ltd. (北京中冶設備研究設計總院有限公司) from December 2009 to January 2013, and secretary of the Communist Party Committee and vice president (deputy general manager) of Beijing MCC Equipment Research & Design Corporation Ltd. from January 2013 to November 2014. Mr. Qu Yang had been an assistant to the president of MCC and the chairman of MCC Asset Management Co., Ltd. since November 2014. He has been a vice President of the Company and the chairman of MCC Asset Management Co., Ltd. since October 2016. Mr. Qu Yang graduated from the Department of Automated Control of Northeast University of Technology, majoring in industrial automation instrument, with a bachelor's degree in engineering, and the College of Information Science and Engineering of Northeastern University, majoring in control theory and control engineering, with a doctoral degree in engineering. He is a professor-level senior engineer.</p>

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Li Yuzhuo	<p>Born in December 1972, Chinese nationality with no right of abode overseas, Ms. Li currently serves as secretary to the Board and director of the capital department of the Company, and director of MCC CCB Investment Fund Management (Beijing) Company Limited. Ms. Li served as engineer of Beijing Central Engineering and Research Institute of Non-ferrous Metallurgical Industries (北京有色冶金設計研究總院), senior engineer of Central Engineering Institute for Non-ferrous Metallurgical Industries (中國有色工程設計研究總院), manager of the human resources department of Beijing ENFI Water Industry Co., Ltd. (北京恩菲水工業有限公司), secretary to the board of directors, director of the human resources department and director of the finance department of Beijing ENFI Environmental Protection Co., Ltd. (北京恩菲環保股份有限公司), director of the finance department of China ENFI Engineering Corporation (中國恩菲工程技術有限公司) and director of the finance department of China Non-ferrous Engineering Co., Ltd. (中國有色工程有限公司). From October 2013 to September 2014, she served as member of the Communist Party Committee and director of the finance department of China Non-ferrous Engineering Co., Ltd., vice general manager, deputy chief accountant and director of the finance department (concurrent position) of China ENFI Engineering Corporation. From September 2014 to June 2015, she served as member of the Communist Party Committee of China Non-ferrous Engineering Co., Ltd., deputy general manager and deputy chief accountant of China ENFI Engineering Corporation. Since June 2015, she has been the director of the capital department of the Company. Since October 2016, she has been the secretary to the Board of the Company. Ms. Li graduated from the non-ferrous metal metallurgy faculty of Northeastern University, majoring in non-ferrous metal metallurgy with a bachelor's degree in engineering and the School of Economics and Management of Tsinghua University, majoring in business administration with a master's degree in business administration. She is a professor-level senior engineer and a senior accountant.</p>

(II) Share incentives granted to Directors and senior management during the Reporting Period

Applicable Not applicable

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

(I) Employment status at shareholder entities

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	-
		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	-
Zhang Mengxing	China Metallurgical Group Corporation	Deputy secretary of the Communist Party Committee	October 2016	-
Lin Jinzhen	China Metallurgical Group Corporation	Employee representative Director	November 2006	-
Shao Bo	China Metallurgical Group Corporation	Part-time Supervisor	March 2010	-

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(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
Guo Wenqing	China Minmetals Corporation	Director, general manager, deputy secretary of the Communist Party Committee	May 2016	-
Zhang Zhaoxiang	China Minmetals Corporation	Deputy general manager, member of the Communist Party Committee	June 2016	-
Jing Tianliang	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)	Executive vice president and deputy secretary of the Communist Party Committee	January 2013	-
	Shenzhen Zhongjin Lingnan Nonfemet 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	-
	China Reform Holdings Corporation Limited (中國國新控股有限公司)	External director	January 2015	-
Chan Ka Keung Peter	CRRC Corporation Limited (中國中車股份有限公司)	Independent director	May 2015	-
Peng Haiqing	China Minmetals Corporation	Deputy director of chief finance department	September 2016	-
Zou Hongying	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, legal representative	May 2015	-
Qu Yang	MCC Asset Management Co., Ltd.	Chairman	November 2014	-
Li Yuzhuo	MCC CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司)	Director	July 2015	-

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) of the Company were considered and approved at the general meetings. The Remuneration Committee of the Board makes remuneration recommendations for senior management, which are 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 2016 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 of the Head Office 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 actually paid to Directors, Supervisors and senior management	RMB7,122,641.63
Total actual remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB7,122,641.63

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

The remuneration of Directors and Supervisors of the Company in 2016 was as follows:

Name	Basic salary, housing allowances, other benefits-in-kind (RMB)	Pension scheme contributions (Pension Insurance borne by the Company) (RMB)	Performance remuneration (RMB)	Total annual remuneration (RMB)
Guo Wenqing	184,460.00	23,266.80	–	207,726.80
Zhang Zhaoxiang	176,295.00	23,266.80	–	199,561.80
Jing Tianliang	129,040.00	–	–	129,040.00
Yu Hailong	145,020.00	–	–	145,020.00
Ren Xudong	146,020.00	–	–	146,020.00
Chan Ka Keung Peter	146,020.00	–	–	146,020.00
Lin Jinzhen	454,894.00	47,339.70	352,570.00	854,803.70
Sub-total of Directors	1,381,749.00	93,873.30	352,570.00	1,828,192.30
Yan Aizhong ⁽¹⁾	147,355.00	20,195.10	142,733.33	310,283.43
Peng Haiqing	346,824.00	47,339.70	287,020.00	681,183.70
Shao Bo	435,984.00	47,339.70	305,860.00	789,183.70
Li Shiyu ⁽²⁾	226,440.00	31,183.62	373,290.00	630,913.62
Sub-total of Supervisors	1,156,603.00	146,058.12	1,108,903.33	2,411,564.45
Total	2,538,352.00	239,931.42	1,461,473.33	4,239,756.75

Note (1): Mr. Yan Aizhong has served as a supervisor of the Company since 23 August 2016, the remuneration shown was received by Mr. Yan during his term of office.

Note (2): Mr. Li Shiyu has retired in September 2016, the remuneration shown was payment in advance for January to August to Mr. Li by the Company, as well as realized remuneration for 2015 and deferred performance-based remuneration for 2013 to 2014.

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.

IV. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason for the change
Zhang Zhaoxiang	Vice Chairman	Appointed	Appointment by the Board
	President	Resigned	Job re-designation
Zhang Mengxing	President	Appointed	Appointment by the Board
Wang Shilei	Vice President	Appointed	Appointment by the Board
Qu Yang	Vice President	Appointed	Appointment by the Board
Li Yuzhuo	Secretary to the Board	Appointed	Appointment by the Board
Xiao Xuewen	Vice President, secretary to the Board	Resigned	Job re-designation
Li Shiyu	Chairman of the Supervisory Committee	Resigned	Retirement
Yan Aizhong	Supervisor	Appointed	Appointed through election

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

Applicable Not Applicable

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

VI. EMPLOYEES OF THE PARENT AND PRINCIPAL SUBSIDIARIES

(I) Employees

Number of existing staff of the Parent	209
Number of existing staff of principal subsidiaries	100,081
Total numbers of existing staff	100,290
Number of resigned or retired staff to whom the Parent and principal subsidiaries are liable	131,111

Composition of Professionals

Categories of Professionals	Number of Professionals
Engineering contracting	90,604
Property development	1,082
Equipment manufacture	7,156
Resource development	1,031
Others	417
Total	100,290

Educational Level

Categories of Educational Level	Number (in persons)
Above Graduate Degree	9,240
Undergraduate Degree	41,376
Associate Degree	18,900
Below Associate Degree	30,774
Total	100,290

(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.

PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

(III) Training programs

In 2016, the Company continued to adopt the hierarchical management model and actively commenced education and trainings for management personnel, professional and technical personnel, and personnel with other skills. In 2016, 50,634 personnel of the Company participated in education and trainings with participation of 108,344 times. Following the great achievement in the 43rd World Skills Competition, the Company proactively applied to Ministry of Human Resources and Social Security and obtained approval for taking charge of Chinese training base for the welding and architecture metal structure events of the 44th World Skills Competition in 2016. All works of the base are being carried out smoothly according to the requirements of Ministry of Human Resources and Social Security. Under the strong support of the Company, it endeavors to keep cultivating top technical personnel for the state and strives for another great achievement in the 44th World Skills Competition.

VII. MANAGEMENT CONTRACTS

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 at 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 transaction, arrangement and contract of significance to the Company that 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 practicable date before the publication of this report (being 28 March 2017), 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 had 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).

CORPORATE GOVERNANCE

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 the CSRC, as well as the relevant requirements of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The general meetings of the Company, the Board and its special committees, as well as the Supervisory Committee operated in compliance with the laws and regulations in an efficient manner, and further improved the governance level of the Company.

The Board of the Company has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period, the Company has complied with the requirements of the Corporate Governance Code, except the paragraph E.1.2 of the Corporate Governance Code. Pursuant to the paragraph E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Guo Wenqing, the chairman of the Company, was not able to attend the 2015 annual general meeting due to business engagement. Pursuant to relevant requirements, Zhang Zhaoxiang, an executive Director and president of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting.

On 6 January 2017, the Company completed the formalities of the custody of stock registration in relation to the non-public issuance of A shares. On 11 January 2017, the Company amended Article 18 under the Articles of Association for the purpose of increasing the registered capital and relevant matters of the Company based on the actual result of the non-public issuance and relevant mandates granted by Shareholders' Meeting (for details, please refer to the relevant announcement of the Company disclosed on 12 January 2017).

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
2016 first extraordinary general meeting	20 April 2016	www.sse.com.cn www.hkexnews.hk	21 April 2016
2016 first A shareholders' class meeting	20 April 2016	www.sse.com.cn www.hkexnews.hk	21 April 2016
2016 first H shareholders' class meeting	20 April 2016	www.sse.com.cn www.hkexnews.hk	21 April 2016
2015 annual general meeting	28 June 2016	www.sse.com.cn www.hkexnews.hk	29 June 2016
2016 second extraordinary general meeting	23 August 2016	www.sse.com.cn www.hkexnews.hk	24 August 2016

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.

CORPORATE GOVERNANCE

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 Shareholders' Meetings by way of on-site voting and online voting in accordance with relevant regulatory requirements and requirements provided in the Articles of Association and the Rules of Procedures for Shareholders' Meeting.

Shareholders' Meeting

On 20 April 2016, the Company convened the 2016 first extraordinary general meeting, the 2016 first A shareholders' class meeting and 2016 first H shareholders' class meeting, where Mr. Zhang Zhaoxiang, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen, all being the Directors of the Company, attended the meetings. Nine proposals have been considered and approved at the 2016 first extraordinary general meeting, including five ordinary resolutions and four special resolutions. Such resolutions involved resolution in relation to the non-public issuance of A Shares of the Company, resolution in relation to the report of MCC on final accounts for the year 2015, resolution in relation to profit distribution of MCC for the year 2015 and resolution in relation to the registration and issuance plan of domestic bonds of the MCC for the year 2016.

On 28 June 2016, the Company convened the 2015 annual general meeting, where Mr. Zhang Zhaoxiang, Mr. Ren Xudong and Mr. Chan Ka Keung Peter, all being the Directors of the Company, attended the meeting. Five ordinary resolutions have been considered and approved at the meeting, which involved the resolution in relation to the "Work Report of the Board of MCC for the year 2015", the resolution in relation to the "Work Report of the Supervisory Committee of MCC for the year 2015", the resolution in relation to the emoluments of Directors and Supervisors of MCC for the year 2015, the resolution in relation to the guarantee plan of MCC for the Year 2016 and the resolution in relation to the appointment of the auditor of the financial report and internal control auditor of the Company for the year 2016.

On 23 August 2016, the Company convened the 2016 second extraordinary general meeting, where Mr. Zhang Zhaoxiang and Mr. Lin Jinzhen, all being the Directors of the Company, attended the meeting. Three resolutions have been considered and approved at the 2016 second extraordinary general meeting including one ordinary resolution and two special resolutions. Such resolutions involved the resolution in relation to the election of Mr. Yan Aizhong as a Supervisor of the Company, the resolution in relation to the issuance of renewable corporate bonds of RMB8 billion by MCC in 2016 and the resolution in relation to the issuance of corporate bonds of RMB2 billion by MCC in 2016.

III. THE PERFORMANCE OF DUTIES BY DIRECTORS

(I) Composition of the Board

During the Reporting Period, the Board of the Company comprised of 7 Directors with Guo Wenqing as the Chairman, Zhang Zhaoxiang as the Vice Chairman and Executive Director, Jing Tianliang as a Non-executive Director, Yu Hailong, Ren Xudong and Chan Ka Keung Peter as Independent Non-executive Directors, and Lin Jinzhen as an employee representative Director. None of the Independent Non-executive Directors of the Board held any positions other than the Directors of 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 is 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.

CORPORATE GOVERNANCE

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 relationship among them.

During the Reporting Period, the Directors of the Company actively participated in the trainings organized by securities regulatory institutions, involving information disclosure regulations of listed companies, industrial strategic options of listed companies, interpretation for relevant laws of listed companies and other trainings. Through the abovementioned study and training, Directors practically enhanced their duty performance capability and updated the professional knowledge and skills required for the performance of their duties. The attendance of trainings by each Director is as follows:

Name of Directors	Number of attendance at trainings
Guo Wenqing	1
Zhang Zhaoxiang	1
Jing Tianliang	1
Yu Hailong	1
Ren Xudong	1
Chan Ka Keung Peter	2
Lin Jinzhen	3

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

Name of Directors	Whether they are independent Directors	Attendance at Board Meetings						Whether they did not attend in person for two times consecutively	Number of general meetings attended ⁽¹⁾
		Number of attendance at Board meetings required for the year	Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy	Number of absence			
Guo Wenqing	No	12	7	5	0	0	No	0	
Zhang Zhaoxiang	No	12	7	5	0	0	No	3	
Jing Tianliang	No	12	6	5	1	0	No	0	
Yu Hailong	Yes	12	5	6	1	0	No	0	
Ren Xudong	Yes	12	7	5	0	0	No	1	
Chan Ka Keung Peter	Yes	12	5	7	0	0	No	2	
Lin Jinzhen	No	12	7	5	0	0	No	2	

Note (1): In this chart, the 2016 first extraordinary general meeting, the 2016 first A shareholders' class meeting and the 2016 the first H shareholders' class meeting convened on 20 April 2016 were counted as one general meeting.

Number of Board meetings held within the year	12
Including:	
Number of on-site meetings	4
Number of meetings convened via communications	5
Number of meeting convened by combination of on-site meeting and communication	3

CORPORATE GOVERNANCE

(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 formulation of plans on the issuance of bonds or other securities and the listing scheme, 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 the Corporate Governance Code.

The roles of Chairman and President of the Company are segregated and Mr. Guo Wenqing serves as the Chairman. The President was Mr. Zhang Zhaoxiang prior to 26 October 2016 and Mr. Zhang Mengxing serves as the President from 26 October 2016. The Chairman and the President perform 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 the operation 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, and performing other duties required by laws, administrative regulations, department regulations or the Articles of Association, and authorized by the Board.

The President is accountable to the Board and is mainly responsible for taking charge of the Company's production, operation and management and reporting his work to the Board, organizing the implementation of resolutions of the Board, organizing 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, formulating specific rules and regulations of the Company, preparing the merger, demerger or restructuring plans for subsidiaries of the Company, and performing other duties required by laws, administrative regulations, department rules or the Articles of Association, and 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 "make progress while maintaining stable development" of the Company.

Firstly, the Board standardized the proposal procedures, and clarified the decision-making procedures and accountability. It issued the Notice in relation to Further Standardization of Proposing Resolutions of the Board 《關於進一步規範董事會議案提交工作的通知》 in order to further strengthen the review of compliance and completeness of resolutions. It ensured the effectiveness and quality of the decision-making of the Board through developing person in-charge at each level and implementing respective responsibilities.

CORPORATE GOVERNANCE

Secondly, the Board put great efforts on innovation of reform and system to vitalize the enterprise by taking into account the actual situation of the enterprise. It pushed forward transformation, upgrading and innovative development, actively promoted reform and innovation of the Company, such as the innovation of management model, regional and professional integration, and effectively improved the ability of the Company to create value through reform that stimulated new vitality for the development of the Company.

Thirdly, the Board strictly controlled decision-making of investment and was stringent in approving projects by actively adjusting operating methods to prevent the investment risks. It strictly controlled the scale of "accounts receivable and inventories", optimized the structure of financial capital, and adopted effective measures to decrease the inventory and increase the effectiveness, to prevent operating risk, return risk, impairment risk and bad debt risk. The above measures laid a sound foundation for the Company to "make progress while maintaining stable development".

Fourthly, the Board optimized the capital structure by strictly controlling the capital risk and the scale of interest-bearing liabilities in order to improve the effectiveness of capital turnover and prevent operating risk. It optimized the capital structure through various methods, including the non-public issuance of A Shares and the issuance of corporate bonds, which effectively decreased the capital cost.

Fifthly, 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 the financial statements for the year ended 31 December 2016, 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 "Auditor's Report" on pages 111 to 114 of this annual report.

IV. SIGNIFICANT OPINIONS AND RECOMMENDATIONS PROPOSED BY THE SPECIAL COMMITTEES UNDER THE BOARD IN PERFORMING THEIR DUTIES DURING THE REPORTING PERIOD, SPECIFIC DETAILS SHOULD BE DISCLOSED IF THERE WERE DISAGREEMENTS

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 convenors 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 professional issues were submitted to the Board for consideration, such issues would be thoroughly studied by the relevant special committees, where specific review opinions were raised and thus provided a basis of decision-making for the Board.

CORPORATE GOVERNANCE

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 giving recommendations on the Company's mid-to-long term development strategies and major 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 convenor.

During the Reporting Period, the Strategy Committee convened 2 meetings in total, and all 3 committee members attended the meetings. The meetings considered the resolution in relation to adjustments to certain departments of the head office and their duties, and received the report in relation to the strategic plan of the Company from 2016 to 2020.

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 objectives, supervising the implementation of financial regulatory system and guiding the financial work 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 major investing and financing projects. The Finance and Audit Committee is also accountable for reviewing the Company's proposals for profit distribution and making up for 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 performing any 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 convenor.

CORPORATE GOVERNANCE

During the Reporting Period, the Finance and Audit Committee convened 5 meetings in total, considered and discussed 31 issues, considered relevant resolutions including various regular reports and final accounts, etc., discussed the employment of auditing institutions, communicated with external auditing institutions in respect of the audit and review of regular financial reports several times, completed the inspection of the Company's annual financial audit, gave conclusion and evaluation on the performance of external auditing institutions, and provided recommendations on reappointment. The Committee performed duties on internal control and risk management through listening to the audit work of internal auditing institutions, working plans of internal control and risk management, examination reports on internal control and risk management, and assessment reports on internal control, proposed clear requirements as to how to fully apply internal control and risk management on various areas, including the decision-making, management and operation of the Company, supervised the management of connected transactions of the Company, reviewed a list of affiliated persons/connected persons, reviewed annual caps for daily connected transactions/continuing connected transactions, audited issues including the utilization of raised proceeds, bond issuance plans, guarantee plans, and profit distribution, audited the non-public issuance of the Company, and reviewed the feedback channels established by the Company. No reporting materials in relation to relevant financial reports and internal supervision were received during the Reporting Period.

The attendance by each committee member at meetings is 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	3

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 is accountable to the Board and is 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 recommendations to the Board, extensively identifying qualified candidates for 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 1 meeting, and all 3 committee members attended the meeting. 3 issues were considered and discussed at the meeting, during which a study on the candidates for President, Vice President and secretary to the Board of MCC was made. It was agreed to make the nomination to the Board for the appointment of the candidates of President, Vice President and secretary to the Board. All 3 committee members attended the above meeting.

CORPORATE GOVERNANCE

4. Remuneration and Appraisal Committee

Pursuant to the requirements 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 preparing the assessment criteria for Directors and senior management, conducting assessments and giving recommendations in respect thereof, studying and reviewing the remuneration policies and plans of Directors and senior management, and discharging other duties authorized by the Board. The remuneration plan of Directors of the Company proposed by the Remuneration and Appraisal Committee shall be subject to the consent of the Board and then submitted to general meetings for consideration and approval prior to its implementation. The remuneration distribution plan of the senior management of the Company shall be submitted to the Board for approval.

During the Reporting Period, the Remuneration and Appraisal 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 2 meetings in total, and all 3 committee members attended the meetings. 2 issues were studied and discussed at the meetings, which involved relevant matters regarding the remuneration of Directors and Supervisors of the Company for the year 2015 and the remuneration of the management for the year 2015.

V. PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

On 30 June 2016, the Supervisory Committee of the Company received the written resignation from Mr. Li Shiyu, the chairman of the Supervisory Committee. Mr. Li Shiyu resigned as the Supervisor and the chairman of the Supervisory Committee of the Company due to the fact that he has reached the statutory age of retirement. The Controlling Shareholder of the Company, China Metallurgical Group Corporation, tendered the Nomination Letter to the Board of the Company to nominate Mr. Yan Aizhong as the candidate for the Supervisor of the Company, and proposed the Board of the Company to perform the corresponding procedures in accordance with the relevant requirement of the Articles of Association of Metallurgical Corporation of China Ltd. On 23 August 2016, the Company convened the 2016 extraordinary general meeting to elect Mr. Yan Aizhong as a Supervisor of the Company. During the Reporting Period, each of the Supervisors earnestly performed duties, attended all the Board meetings and reported the work 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 Shareholders, all Supervisors of the Company monitored the Company's financial condition, relevant matters regarding the non-public issuance of A Shares of the Company, internal control, related party/connected transactions, use of proceeds, as well as the legal compliance of Directors and senior management of the Company in performance of their duties.

During the Reporting Period, the Company's Supervisory Committee convened 7 meetings of the Supervisory Committee and 1 special meeting in total. It considered 25 proposals and received reports in respect thereof. The attendance by each Supervisor at meetings are as follows:

Name of Supervisors	Number of attendance required for the Supervisors	Number of meetings attended in person
Yan Aizhong	4	4
Peng Haiqing	8	8
Shao Bo	8	8
Li Shiyu	4	4

CORPORATE GOVERNANCE

During the Reporting Period, the Supervisory Committee reviewed the regular reports required to be disclosed by the Company, relevant matters regarding the non-public issuance of A Shares of the Company and earnestly studied final accounts and profit distribution plans of the Company for the year 2015, and supervised the internal control, a list of related parties/connected persons, as well as the utilization and change of relevant raised proceeds, studied the matters regarding the non-public issuance of shares of the Company, paid continuous attention to assets or businesses which affect the operating results of the Company, and had no objections to the disposal measures and methods of the Board and management in respect of the assets or businesses.

VI. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

VII. EXPLANATION ON THE INDEPENDENCE BETWEEN THE COMPANY AND ITS CONTROLLING SHAREHOLDER

The operating business in which MCC is engaged 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 Asset Management Company ("Asset Company"). Asset Company is mainly responsible for the centralized management and subsequent follow-up of the assets for further handling that were not incorporated into the Company during the reorganization of MCC Group. The business engaged by subsidiaries of Asset Company does not have the ability to compete substantially with the principal business of the Company.
2. MCC Huludao Nonferrous Metals Group Co., Ltd. ("Huludao Nonferrous"), a subsidiary of MCC Group, is mainly engaged in the business of metallurgy of zinc, lead and copper and their highly processed goods, and the comprehensive recycling of cadmium, indium, gold and silver, and by-products of sulfate acid, copper sulfate and zinc sulfate. The Company's current resource business segment is centered on minerals mining and dressing. Therefore, the business of Huludao Nonferrous generally does not constitute competition within the industry with MCC.

During the Reporting Period, MCC Group signed the Agreement on Transfers of State-owned Equity Without Payment with the People's government of Huludao City, Liaoning Province, and Huludao City State-owned Capital Investment Management Company Limited, pursuant to which it transferred all of its 24% equity interest in Huludao Nonferrous to Huludao City State-owned Capital Investment Management Company Limited. The transfer shall be implemented subject to the satisfaction of the relevant conditions, requirements and completion of the relevant procedures. Upon adjustment to the equity interest, MCC Group will no longer have a controlling interest in Huludao Nonferrous.

CORPORATE GOVERNANCE

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 the SASAC under the State Council. Upon approval at the 2013 AGM of the Company, the Company appointed Deloitte Touche Tohmatsu as its auditor for the year 2014 and the internal control auditor for the year 2014. Upon approval at the 2015 AGM, Deloitte Touche Tohmatsu was reappointed as the auditor of the Company for the year 2016. In addition to the annual financial audit, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided part of its domestic subsidiaries with statutory financial audit services.

For details of the remuneration of independent auditors for the year 2016 please refer to page 61 of this report.

IX. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In 2016, the Company seriously 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 information disclosure through statutory channels including designated newspapers and websites in a truthful, accurate, complete, timely and fair manner, according to the principle of simultaneous disclosure in both listed jurisdictions. 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 interests of investors, especially the small and medium investors. In 2016, the Company was awarded the “Most Technologically Innovative Listed Company” from Golden Bauhinia Awards, and the “China Top 100 Enterprises Award” and the “Most Innovative Listed Company” by China Business Top 100 Summit Forum and Forum for Comprehensive Development of Chinese Top 100 Cities.

1. Continuing to strengthen the effectiveness of disclosed information based on compliance disclosure

During the Reporting Period, the Company safeguarded the compliance of information disclosure by complying strictly with the requirements of information disclosure from regulatory authorities, proactively paying attention to the fulfillment of new regulatory requirements, which improved the effectiveness of disclosed information. The Company voluntarily circulated corporate information to investors, providing the basis for investors to make decisions.

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 with the market on specific topics in 2016. 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 taking into account market trends and the Company’s operation, invited key analysts and investors to implement on-site investigation and research on the projects including integrated subterranean piping system in Hengqin, Zhuhai. Through driving from point to area, the Company covered, affected and attracted a group of investment institutions, which enabled analysts and investors to have a profound understanding of the 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”. The Company convened seminars on cash dividend distribution via the internet, which enabled investors to have a comprehensive and deep understanding of the details of cash dividend distribution of the Company for the year of 2015.

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3. Strengthening the voluntary information disclosure via market communication

Through the communication with investors, analysts and financial media, the Company was able to identify market focus in a timely manner and conducted centralized review on market highlights. After the internal reporting to the Company, relevant information were gathered and consolidated by the Company internally and the Company then disclosed such information to the public on a voluntary basis. The Company strengthened the disclosure of information, such as its new strategic positioning, emerging businesses, transformation of non-metallurgical engineering businesses, PPP projects, and achievements in technological development in regular reports to enhance the effectiveness of information disclosure. The Company insisted on the disclosure of 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.

X. RIGHTS OF INVESTORS

To safeguard the statutory rights of Shareholders, 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 may request an extraordinary general meeting in writing. Article 76 of the Articles of Association of the Company prescribes that the shareholders holding more than 3% of the Company's shares, either independently or collectively, are entitled to table a proposal to the Company in writing for the convening of the general meeting of the Company, and the Company shall include in the agenda those matters which are within the scope of duties of the general meeting. Shareholders holding more than 3% of the Company's shares, either independently or collectively, may submit a temporary proposal to the convener in writing 10 days prior to the convening of the general meeting. The Company set an exclusive session for communication with Shareholders at 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), or by fax (+86-10-5986-8999) and email (ir@mccchina.com).

XI. COMPANY SECRETARY

For the purpose of complying with 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 2016.

On 28 March 2017, Ms. Lin Xiaohui resigned her position as company secretary due to personal reason. Ms. Li Yuzhuo and Ms. Lai Siu Kuen were appointed as joint company secretaries upon consideration and approval by the Board of the Company.

For details of profile of Ms. Li Yuzhuo, please refer to page 89 of this report.

The profile of Ms. Lai Siu Kuen is set as below:

Ms. Lai Siu Kuen is a senior manager of the listing services department of TMF Hong Kong Limited, responsible for providing corporate secretarial and compliance services to clients of listed companies. Ms. Lai has over 16 years of professional and in-house working experience in the company secretarial field. Ms. Lai holds a bachelor degree of accounting and a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. Ms. Lai has a wealth of knowledge and experience in corporate governance and compliance matters for listed companies. She currently serves as a joint company secretary for several listed companies, including: Qingdao Port International Co., Ltd. (Stock Code: 6198), Bank of Qingdao Co., Ltd. (Stock Code: 3866) and CGN Mining Company Limited (Stock Code: 01164).

CORPORATE GOVERNANCE

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 Board completes the appraisal of work performance of senior management based on corporate reports on final accounts and statistics, the report of the President regarding the completion of operating results appraisal targets last year and the work report of vice President and Chief Accountant. Meanwhile, the remunerations of senior management are determined pursuant to the appraisal.

XIII. SITUATION RELATED TO RISK MANAGEMENT AND INTERNAL CONTROL

Based on the significant defects of internal control identified 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 the requirements of relevant regulations. Based on the significant defects of internal control identified 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 an assessment on the effectiveness of internal control occurred from the base date to the issue date of internal control assessment.

It is the responsibility of the Board of the Company to establish a sound and effective internal control system, evaluate its effectiveness and disclose the internal control evaluation report in accordance with the provisions of the corporate internal control system. The internal control of the Company is designed with the objectives to reasonably ensure the legal compliance of business operation and management, safety of asset, truthfulness and completeness of financial report and its related information, improvement of operational efficiency and effect and accomplishment of development strategy. Due to the inherent limitations of internal control, it can only provide a reasonable guarantee for achieving the above objectives. In addition, changes in situation may result in internal control being inappropriate, or a low degree of compliance with control policies and procedures which brings certain risks to the prediction of the effectiveness of future internal control based on the results of internal control evaluation.

The Company regularly conducts identification, evaluation and corresponding actions for risks. The Company seriously analyzes its situation within the industry on the basis of the study and judgement of the general domestic and international macro-economic situation annually and conducts relevant actions to the risk management by phases according to the strategic objective and control requirements.

The main features of risk management and internal control system are as follows: the Company established the framework at company level and business level by integrating the risk management and internal control systems. Under the framework, through preparing risk control matrix to establish the relationship of mutual mapping between key risk and control, the Company implemented the risk identification, evaluation and corresponding control measures to various internal business processes in the enterprise in order to achieve the organic integration between risk management and internal control, significantly improving the capabilities of risk prevention and control of the enterprise and providing effectiveness to the management of the enterprise; the Company divides the internal control system into three levels including fundamental management system, specific regulations/administrative measures and implementation guidelines pursuant to the established main body, levels involved and the scope of limitations. The effectiveness of the regulations and systems are evaluated annually and would be established, amended and abolished pursuant to the evaluation results and according to the regulatory requirements and development needs of the Company to formulate the annual development plan of the system. Meanwhile, comparing the logical relationship between the requirements in the framework of internal control and the system of the Company, the regulations and systems of the Company are divided according to business categories in order to program and standardize the management of the regulations and systems of the Company, thus safeguarding the compliance operation and strategic development of the Company. The Company places heavy emphasis on dynamic monitoring of risk management. According to internal and external changes of the Company, the Company analyzed the collected risk information, quantified and evaluated various risks which might create possibilities of impacts on and loss to the operation procedures of the Company, immediately identified and systematically analyzed the relevant risks between the operating activities and implementation of internal control targets, and reasonably determined the risk tolerance of the Company and corresponding strategies for the risks. The Company paid special attention to the control of significant risks and formulated risk management measures by refining solutions, and deeply analyzing the source of significant risks, reasons of the risks, possible impact and corresponding strategies to be taken in respect of the significant risks evaluated.

CORPORATE GOVERNANCE

The procedures of examining the effectiveness of risk management and internal control systems of the Company includes: formulating the plan for evaluation of work, forming evaluation team, implementing on-site testing, identifying control defects, aggregating evaluation results and compiling evaluation reports, etc. The Company authorizes the audit department to be responsible for specific implementation of the evaluation of internal control. After a comprehensive analysis of internal control defects, the Company gives opinions, and make a final confirmation in accordance with the given authority and procedures after review, and classifies the defects as significant defects, important defects and general defects based on the level of impact. The confirmation proposed will be presented to the Board and operation meeting in the form of written report, and the significant defects will be finally confirmed by the Board. For the identified significant defects and important defects, MCC will promptly adopt corresponding strategies to effectively control the risks within a bearable level and pursue the liabilities of the relevant department or personnel.

The Company has established an internal audit function and has started the inspection and rectification of internal control and risk management pursuant to the plan on evaluation of work and standard of evaluation in order to ensure the defects are rectified properly. Meanwhile, the subsidiaries are required to conduct half-year and annual self-evaluation and special evaluation work in order to provide the base for the issue of internal control evaluation report. The review period of risk management and internal control system covered is within the reporting period.

The Company performs information gathering, studying, preparation of announcements and disclosure approval procedures to ensure the compliance of information disclosure in accordance with the regulatory requirements and the Management System of Information Disclosure of MCC (《中國中冶信息披露管理制度》) and Measures for the Administration of Information Disclosure of MCC in the Stock Market (《中國中冶股票市場信息披露管理辦法》).

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

XIV. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

Deloitte Touche Tohmatsu issued the internal control audit report for the Company and is of the opinion that as at 31 December 2016, the Company had maintained an effective internal control over its financial report in all material aspects pursuant to the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and relevant requirements. The Company had disclosed its internal control audit report.

CORPORATE BONDS

I. Basic Information on Corporate Bonds

All public issuance conducted by the Company were all listed on a stock exchange. Corporate bonds that had not yet expired as at the date of approval of this report include Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* (中國冶金科工股份有限公司2017年公開發行可續期公司債券第一期) (“2017 Renewable Corporate Bonds (First Tranche)”) and Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* (中國冶金科工股份有限公司2017年公開發行可續期公司債券第二期) (“2017 Renewable Corporate Bonds (Second Tranche)”). Details of which are set out in the below table:

Unit: RMB hundred million

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

During the Reporting Period, the Company did not have any payment obligation of principal and interests for each tranche of bonds.

The value date of 2017 Renewable Corporate Bonds (First Tranche) is effective from 1 March 2017 and the initial date of interest payment is 1 March 2018 (where it is a non-trading day, payment shall be postponed to the following trading date, during which no additional interests shall be accrued on the interest payment).

The value date of 2017 Renewable Corporate Bonds (Second Tranche) is effective from 13 March 2017 and the initial date of interest payment is 13 March 2018 (where it is a non-trading day, payment shall be postponed to the following trading date, during which no additional interests shall be accrued on the interest payment).

CORPORATE BONDS

Other Descriptions on Corporate Bonds

2017 Renewable Corporate Bonds (First Tranche) and 2017 Renewable Corporate Bonds (Second Tranche) are both targeted to qualified investors through public issuance.

II. Authorized Contact Persons and Contact Details of Corporate Bonds and Contact Details of Credit Ranking Institutions

Bond trustee	Name	China Merchants Securities Co., Ltd.
	Office address	38-45th floor, Jiangsu Building, Yitian Road, Futian District, Shenzhen
	Contact persons	Zhang Hao, Yang Dong, Hu Yue and Wu Qi
Credit ranking institutions	Contact no.	010-60840903
	Name	China Chengxin Securities Credit Rating Co., Ltd.
	Office address	Anji Building, No. 760 Tibet South Road, Huangpu District, Shanghai

III. Use of Proceeds of Corporate Bonds

As of the date of disclosure of this report, the use of proceeds of the corporate bonds of the Company is in line with its intended use, use plan and other provisions as mentioned in the prospectus.

The deposit and use of the proceeds from corporate bonds shall be implemented pursuant to the “Special Account for Proceeds and Special Repayment Account Agreement” entered into between the regulatory bank and the bond trustee. The use of proceeds is in line with the relevant undertakings provided in the prospectus and the account for proceeds is operating under governance.

IV. Ranking of Corporate Bonds

According to the credit ranking report (Xin Ping Wei Han Zi No. [2017] G081-X) issued by China Chengxin Securities Credit Rating Co., Ltd. on 16 February 2017, “Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.” of the Company was ranked AAA with stable outlook. The ranking of indebtedness for the period is AAA.

According to the credit ranking report (Xin Ping Wei Han Zi No. [2017] G112-F1) issued by China Chengxin Securities Credit Rating Co., Ltd. on 3 March 2017, “Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.” of the Company was ranked AAA with stable outlook. The ranking of indebtedness for the period is AAA.

The issuance of debt financing instruments by the Company on inter-bank bond markets was also ranked AAA, which maintained the same level of ranking.

V. Credit Enhancement Mechanism for Corporate Bonds, Debt Repayment Plans and Other Relevant Matters during the Reporting Period

As of the date of approval of this report, the credit enhancement mechanism for corporate bonds, debt repayment plans and debt repayment protective measures are in line with the provisions and relevant undertakings provided in the prospectus and there is no change in the abovementioned.

CORPORATE BONDS

VI. Convention of Corporate Bondholders Meetings during the Reporting Period

Since the issuance date of corporate bonds and up to the date of disclosure of the report, there were no matters that fall within the scope of authority that need to bring to the attention of the bondholders meetings of the Company. As such, no bondholders meetings were convened by the bond trustee.

VII. Performance of Duties of the Trustee of Corporate Bonds

China Merchants Securities Co., Ltd. is the bond trustee of both "17 MCC Y1" and "17 MCC Y3", being corporate bonds. As stipulated under the "Bond Trustee Agreement" entered into between the Company and China Merchants Securities Co., Ltd. upon the issuance of corporate bonds, such company performed its relevant duties as a bond trustee.

VIII. Accounting Information and Financial Indicators of the Company for the Latest Two Years Preceding the End of the Reporting Period

Unit: RMB'000

Major Indicators	2016	2015	Increase/decrease as compared to the same period of last year (%)
EBITDA	14,198,514	14,180,172	0.13
Current Ratio	1.18	1.17	Increased by 0.01
Quick Ratio	0.71	0.68	Increased by 0.03
Asset-liability Ratio	77.98%	79.30%	Decreased by 1.32 percentage points
EBITDA/Total Liabilities	0.05	0.05	–
Interest Protection Multiples	2.08	1.65	Increased by 0.43
Cash Dividend Protection Multiples	4.81	3.71	Increased by 1.10
EBITDA/Interest Protection Multiples	2.65	2.11	Increased by 0.54
Loan Repayment Ratio	100%	100%	–
Interest Payment Ratio	100%	100%	–

CORPORATE BONDS

IX. Payment of Interest Principal Amount of Other Bonds and Debt Financing Instruments of the Company

During the Reporting Period, other bonds and debt financing instruments of the Company were paid on schedule and did not have any delay or failure in the payment of interests and principal.

X. Credit Facilities Obtained from Banks by the Company during the Reporting Period

The Company maintained good long-term relationship with banks and other financial institutions and obtained greater credit facilities with stronger ability in indirect debt financing. At the end of the Reporting Period, the Company obtained a total of RMB456.6 billion from various financial institutions, of which RMB135.0 billion were utilized and RMB321.6 billion were unutilized.

During the Reporting Period, the Company made repayment for bank loans on schedule and did not arrange any extension or reduction.

XI. Implementation of Relevant Provisions or Undertakings made by the Company in the Corporate Bond Prospectus during the Reporting Period

The Company strictly complied with the provisions under the “Bond Trustee Agreement” and each term under this issuance of bonds and performed relevant undertakings.

XII. Significant Events of the Company and the Impacts on the Operating Condition and Solvency of the Company

During the Reporting Period, the Company did not have any significant events as indicated under item 45 to the “Administrative Measures on Bond Issuance and Transactions of the Company”.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

I. AUDITOR'S REPORT

De Shi Bao (Shen) Zi (17) No. P00385

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

1. Opinion

We have audited the financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprise the Company's and consolidated balance sheet as at 31 December 2016, and the Company's and consolidated income statement, 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.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the Company's and consolidated balance sheet as of 31 December 2016, 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.

2. Basis for Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Chinese Institute of Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We confirm that the matters below are key audit matters that need to be communicated in the auditor's report.

(1) **Recognition of revenue from construction contracts**

(a) *Description*

Refer to Note V24(2) and Note V28(4)(a) in the financial statements, the Company recognizes the revenue of engineering contracting services using percentage-of-completion method when the results of the construction contracts can be reliably estimated. The management needs to make reasonable estimates on expected total revenue and costs of construction contracts to further calculate the percentage of completion. The estimates should be evaluated and updated on a regular basis during the execution of the contracts. We therefore identified it as a key audit matter as recognition of revenue from construction contracts involves significant accounting estimates and judgments of the management.

(b) *How our audit addressed the key audit matter*

Our audit procedures in relation to recognition of revenue from construction contracts mainly included:

- 1) We tested the internal controls related to the construction contract budget and revenue recognition;

FINANCIAL STATEMENTS

For the year ended 31 December 2016

I. AUDITOR'S REPORT (Continued)

3. Key Audit Matters (Continued)

(1) Recognition of revenue from construction contracts (Continued)

(b) How our audit addressed the key audit matter (Continued)

- 2) We obtained the ledger of construction contracts and recalculated the percentage of completion of the construction contracts;
- 3) We selected a sample of construction contracts to inspect the budget information on which the estimated total revenues and costs were based, and evaluated the adequacy of supporting regarding the estimation of expected total contract revenue and costs;
- 4) We selected a sample of construction contracts to test the construction costs incurred in the current year;
- 5) We selected a sample of construction contracts to inspect the progress of construction project on site, confirmed the degree of completion with project management, compared with the percentage of completion recorded in the Company's ledger, and performed further review procedures for the unusual difference.

(2) Recoverability of accounts receivable

(a) Description

Refer to Note V11 and Note V28(4)(b) in the financial statements, the provision for bad debts is based on the evaluation of the recoverability of the outstanding accounts receivables. The management needs to identify projects that incurred impairment and obtain objective evidences, evaluate and calculate the present value of future cash flows generated from the projects. We therefore identified it as a key audit matter as recoverability of accounts receivable involves significant accounting estimates and judgments of the management.

(b) How our audit addressed the key audit matter

Our audit procedures in relation to recoverability of accounts receivable mainly included:

- 1) We tested the internal controls related to the daily management and evaluation for recoverability of accounts receivable;
- 2) We reviewed the consideration and objective evidence related to impairment test of accounts receivable performed by management, and focused on whether all of the impairment projects had been identified;
- 3) We selected a sample of the items of accounts receivable, which were individually subject to provision for bad debts, to review the ground and reasonableness of the estimations of future cash flows made by management;
- 4) We evaluated the reasonableness of the ratio of the provision determined by management related to accounts receivable for which provision for impairment is assessed collectively in portfolios of credit risk characteristics,
- 5) We inspected the accounts receivable recovered subsequent to the year end date to evaluate the reasonableness of bad debt.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

I. AUDITOR'S REPORT (Continued)

4. Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2016 annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with Accounting Standards for Business, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

I. AUDITOR'S REPORT *(Continued)*

6. Auditor's Responsibilities for the Audit of the Financial Statements *(Continued)*

- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (4) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:

Ma Yan Mei
(Engagement Partner)
Chen Wen Long
28 March 2017

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 balance sheet 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

For the year ended 31 December 2016

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII1	44,863,390	33,730,706
Financial assets at fair value through profit or loss	VII2	1,044	1,410,011
Bills receivable	VII3	16,026,955	11,360,670
Accounts receivable	VII4	69,544,642	63,663,109
Prepayments	VII5	13,421,058	13,698,473
Interests receivable	VII6	26,666	11,644
Dividends receivable	VII7	46,727	38,045
Other receivables	VII8	31,409,955	29,056,798
Inventories	VII9	122,191,095	115,305,237
Non-current assets due within one year	VII10	3,745,636	7,054,781
Other current assets	VII11	1,497,368	229,319
Total Current Assets		302,774,536	275,558,793
Non-current Assets:			
Available-for-sale financial assets	VII12	2,665,570	1,680,152
Held-to-maturity investments	VII13	–	20
Long-term receivables	VII14	11,277,158	7,882,521
Long-term equity investments	VII15	5,163,485	3,915,025
Investment properties	VII16	2,486,596	2,170,276
Fixed assets	VII17	30,037,756	30,154,218
Construction in progress	VII18	3,653,172	3,578,915
Materials for construction of fixed assets	VII19	69,074	73,695
Intangible assets	VII20	14,416,860	14,527,346
Goodwill	VII21	173,058	173,733
Long-term prepayments	VII22	249,357	204,705
Deferred tax assets	VII23	4,358,008	3,733,420
Other non-current assets	VII24	166,974	110,000
Total Non-current Assets		74,717,068	68,204,026
TOTAL ASSETS		377,491,604	343,762,819
Current Liabilities:			
Short-term borrowings	VII25	49,740,440	36,798,152
Derivative financial liabilities	VII26	17,443	14,339
Bills payable	VII27	17,638,291	15,641,626
Accounts payable	VII28	111,999,308	93,413,988
Receipts in advance	VII29	33,161,350	30,139,959
Employee benefits payable	VII30	1,915,566	2,061,162
Taxes payable	VII31	3,110,767	6,057,841
Interests payable	VII32	493,527	752,120
Dividends payable	VII33	827,426	791,058
Other payables	VII34	18,681,125	16,294,450
Non-current liabilities due within one year	VII35	14,440,253	13,396,832
Other current liabilities	VII36	3,997,881	20,113,097
Total Current Liabilities		256,023,377	235,474,624

FINANCIAL STATEMENTS

For the year ended 31 December 2016

II. FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Non-current Liabilities:			
Long-term borrowings	VII37	25,038,820	19,259,931
Bonds payable	VII38	6,654,000	10,972,486
Long-term payables	VII39	850,280	892,237
Long-term employee benefits payable	VII40	3,646,673	3,982,614
Special payables	VII41	7,175	14,981
Provisions	VII42	568,876	232,644
Deferred income	VII43	1,382,299	1,452,973
Deferred tax liabilities	VII23	212,401	325,305
Total Non-current Liabilities		38,360,524	37,133,171
TOTAL LIABILITIES		294,383,901	272,607,795
Shareholders' Equity:			
Share capital	VII44	20,723,619	19,110,000
Other equity instruments	VII45	9,884,950	9,884,950
Including: Perpetual bond		9,884,950	9,884,950
Capital reserve	VII46	22,438,344	17,876,690
Other comprehensive income	VII47	189,057	192,320
Special reserve	VII48	12,550	12,550
Surplus reserve	VII49	1,100,651	698,872
Retained profits	VII50	16,203,904	12,782,248
Total shareholders' equity attributable to shareholders of the Company		70,553,075	60,557,630
Non-controlling interests		12,554,628	10,597,394
TOTAL SHAREHOLDERS' EQUITY		83,107,703	71,155,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		377,491,604	343,762,819

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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	7,703,977	2,727,674
Accounts receivable	XVI2	823,423	492,885
Prepayments		161,552	78,773
Interests receivable	XVI3	2,000,053	1,554,415
Dividends receivable	XVI4	2,100,649	2,166,640
Other receivables	XVI5	26,183,580	28,629,967
Inventories		299,065	694,789
Non-current assets due within one year		1,577,037	2,806,017
Total Current Assets		40,849,336	39,151,160
Non-current Assets:			
Available-for-sale financial assets		231	231
Long-term receivables	XVI6	2,469,574	2,592,461
Long-term equity investments	XVI7	79,317,111	75,189,175
Fixed assets		12,592	15,501
Construction in progress		8,518	–
Intangible assets		9,597	10,961
Total Non-current Assets		81,817,623	77,808,329
TOTAL ASSETS		122,666,959	116,959,489
Current Liabilities:			
Short-term borrowings	XVI8	27,514,934	11,120,689
Accounts payable		818,728	864,274
Receipts in advance		541,402	492,914
Employee benefits payable		8,974	8,108
Taxes payable		46,848	61,734
Interests payable		238,965	617,614
Dividends payable		168,633	170,010
Other payables	XVI9	11,430,335	8,062,853
Non-current liabilities due within one year	XVI10	853,755	5,178,915
Other current liabilities		–	20,000,000
Total Current Liabilities		41,622,574	46,577,111

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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	5,016,690	2,771,441
Bonds payable		2,704,000	2,704,000
Long-term payables		78,980	300,000
Long-term employee benefits payable		18,061	22,861
Deferred income		4,411	4,265
Total Non-current Liabilities		7,822,142	5,802,567
TOTAL LIABILITIES		49,444,716	52,379,678
Shareholders' Equity:			
Share capital		20,723,619	19,110,000
Other equity instruments		9,884,950	9,884,950
Including: Perpetual bond		9,884,950	9,884,950
Capital reserve		38,041,092	33,481,220
Other comprehensive income		1,465	(2,105)
Special reserve		12,550	12,550
Surplus reserve		1,100,651	698,872
Retained profits		3,457,916	1,394,324
TOTAL SHAREHOLDERS' EQUITY		73,222,243	64,579,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		122,666,959	116,959,489

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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		219,557,579	217,323,972
Including: Operating revenue	VII51	219,557,579	217,323,972
II. Total operating costs		213,000,156	213,089,921
Including: Operating costs	VII51	191,369,837	188,817,361
Taxes and levies	VII52	3,288,123	5,597,162
Selling expenses	VII53	1,665,258	1,512,225
Administrative expenses	VII54	10,425,174	10,067,076
Financial expenses	VII55	2,228,707	2,526,563
Impairment losses of assets	VII56	4,023,057	4,569,534
Add: Losses from changes in fair values	VII57	(3,215)	(30,445)
Investment income	VII58	440,053	1,735,160
Including: Gains(losses) from investments in associates and joint ventures		327,590	(153,731)
III. Operating profit		6,994,261	5,938,766
Add: Non-operating income	VII59	1,306,710	1,375,811
Including: Gains from disposal of non-current assets		134,321	226,649
Less: Non-operating expenses	VII60	653,200	171,441
Including: Losses from disposal of non-current assets		49,353	46,861
IV. Total profit		7,647,771	7,143,136
Less: Income tax expenses	VII61	1,678,124	2,194,392
V. Net profit		5,969,647	4,948,744
Net profit attributable to shareholders of the Company		5,375,858	4,801,562
Profit or loss attributable to non-controlling interests		593,789	147,182

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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	VII62	37,249	(366,993)
Other comprehensive income attributable to shareholders of the Company, net of income tax		(3,263)	(391,101)
(I) Items that will not be reclassified subsequently to profit or loss		(4,749)	(398,024)
1. Re-measurement of defined benefit obligations		(4,749)	(398,024)
(II) Items that may be reclassified subsequently to profit or loss		1,486	6,923
1. Net (loss)gain on revaluation of available-for-sale financial assets		(33,089)	22,935
2. Exchange differences on translating foreign operations		34,575	(16,012)
Other comprehensive income attributable to non-controlling interests, net of income tax		40,512	24,108
VII. Total comprehensive income		6,006,896	4,581,751
Total comprehensive income attributable to shareholders of the Company		5,372,595	4,410,461
Total comprehensive income attributable to non-controlling interests		634,301	171,290
VIII. Earnings per share	XV3		
(I) Basic earnings per share (Yuan/share)		0.25	0.24
(II) Diluted earnings per share (Yuan/share)		Not Applicable	Not Applicable

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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	1,719,540	2,071,639
Less: Operating costs	XVI12	1,450,301	1,875,103
Taxes and levies		95,550	3,788
Administrative expenses		195,077	194,611
Financial expenses		400,564	255,444
Impairment losses of assets	XVI13	139,247	318,703
Add: Investment income	XVI14	4,579,045	2,227,422
Including: Income from investments in associates and joint ventures		2,112	471
II. Operating profit		4,017,846	1,651,412
Add: Non-operating income		390	42,023
Including: Gains from disposal of non-current assets		–	41,976
Less: Non-operating expenses		38	59
Including: Losses from disposal of non-current assets		–	59
III. Total profit		4,018,198	1,693,376
Less: Income tax expenses		404	144
IV. Net profit		4,017,794	1,693,232
V. Other comprehensive income, net of income tax		3,570	(5,376)
(I) Items that will not be reclassified subsequently to profit or loss		3,570	(5,376)
1. Re-measurement of defined benefit obligations		3,570	(5,376)
VI. Total comprehensive income		4,021,364	1,687,856

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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		217,107,580	223,204,911
Receipts of tax refunds		455,317	687,613
Other cash receipts relating to operating activities	VII63(1)	3,187,865	2,096,407
Sub-total of cash inflows from operating activities		220,750,762	225,988,931
Cash payments for goods purchased and services received		163,630,769	173,279,959
Cash payments to and on behalf of employees		17,598,948	17,662,165
Payments of various types of taxes		10,353,956	11,531,185
Other cash payments relating to operating activities	VII63(2)	10,608,540	8,158,240
Sub-total of cash outflows from operating activities		202,192,213	210,631,549
Net Cash Flows from Operating Activities	VII64(1)	18,558,549	15,357,382
II. Cash Flows from Investing Activities			
Cash receipts from disposals and recovery of investments		1,785,510	210,982
Cash receipts from investment income		526,629	243,575
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		282,763	374,609
Net cash receipts from disposal of subsidiaries and other business units	VII64(2)	33,147	3,500
Other cash receipts relating to investing activities	VII63(3)	373,343	208,179
Sub-total of cash inflows from investing activities		3,001,392	1,040,845
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,114,962	3,356,884
Cash payments to acquire investments		2,689,128	1,897,983
Cash payments to acquire subsidiaries and other business units		-	3,136
Other cash payments relating to investing activities	VII63(4)	389,273	1,385,438
Sub-total of cash outflows from investing activities		6,193,363	6,643,441
Net Cash Flows from Investing Activities		(3,191,971)	(5,602,596)

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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		8,155,882	10,125,778
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		1,982,391	240,828
Cash receipts from issue of perpetual bond		-	9,884,950
Cash receipts from borrowings		96,878,532	100,757,817
Sub-total of cash inflows from financing activities		105,034,414	110,883,595
Cash repayments of borrowings		101,586,763	112,334,593
Cash payments for distribution of dividends or profits or settlement of interest expenses		7,489,310	7,995,575
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		469,757	94,250
Other cash payments relating to financing activities	VII63(5)	1,556,268	272,809
Sub-total of cash outflows from financing activities		110,632,341	120,602,977
Net Cash Flows from Financing Activities		(5,597,927)	(9,719,382)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		206,882	129,797
V. Net Increase in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash equivalents		9,975,533	165,201
		28,736,378	28,571,177
VI. Closing Balance of Cash and Cash Equivalents	VII64(3)	38,711,911	28,736,378

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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		1,876,203	2,126,135
Receipts of tax refunds		8,722	44,071
Other cash receipts relating to operating activities		328,070	180,441
Sub-total of cash inflows from operating activities		2,212,995	2,350,647
Cash payments for goods purchased and services received		1,552,837	1,957,142
Cash payments to and on behalf of employees		130,136	113,763
Payments of various types of taxes		193,230	60,736
Other cash payments relating to operating activities		112,221	87,344
Sub-total of cash outflows from operating activities		1,988,424	2,218,985
Net Cash Flows from Operating Activities	XVI15(1)	224,571	131,662
II. Cash Flows from Investing Activities			
Cash receipts from recovery of investments		204,480	-
Cash receipts from investment income		2,695,724	1,964,991
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		-	23
Other cash receipts relating to investing activities		3,846,870	3,460,910
Sub-total of cash inflows from investing activities		6,747,074	5,425,924
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		9,787	956
Cash payments to acquire investments		1,794,302	1,372,000
Sub-total of cash outflows from investing activities		1,804,089	1,372,956
Net Cash Flows from Investing Activities		4,942,985	4,052,968

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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		6,173,491	9,884,950
Including: Cash receipts from issue of perpetual bond		–	9,884,950
Cash receipts from borrowings		59,251,989	60,343,330
		<u>65,425,480</u>	<u>70,228,280</u>
Sub-total of cash inflows from financing activities		65,425,480	70,228,280
Cash repayments of borrowings		61,992,343	74,962,999
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,650,507	3,724,813
Other cash payments relating to financing activities		11,348	37,151
		<u>65,654,198</u>	<u>78,724,963</u>
Sub-total of cash outflows from financing activities		65,654,198	78,724,963
Net Cash Flows from Financing Activities		<u>(228,718)</u>	<u>(8,496,683)</u>
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		26,117	13,250
V. Net Increase(decrease) in Cash and Cash Equivalents			
		4,964,955	(4,298,803)
Add: Opening balance of Cash and Cash equivalents		2,727,147	7,025,950
VI. Closing Balance of Cash and Cash Equivalents	XVI15(2)	<u>7,692,102</u>	<u>2,727,147</u>

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

II. FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

II. FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2015								Total shareholders' equity
	Attributable to shareholders of the Company							Non-controlling interests	
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	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

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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							Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
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	<u>19,110,000</u>	<u>9,884,950</u>	<u>33,481,220</u>	<u>(2,105)</u>	<u>12,550</u>	<u>698,872</u>	<u>1,394,324</u>	<u>64,579,811</u>

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 China Baowu Steel Group Corporation (original name: Baosteel Group Corporation) (“CBSGC”) as promoters on 1 December 2008 and was registered in Beijing in the People’s Republic of China (the “PRC”). Upon the approval by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the “SASAC”) of Guozi Reform [2008] 528 Approval for CMGC’s Group Restructuring and Dual Listing in Domestic and Overseas Markets, issued on 10 June 2008. CMGC is the parent company of the Company and the SASAC is the ultimate controlling party of the Company. Upon establishment of the Company, the registered capital of the Company was RMB13 billion, representing 13 billion ordinary shares of RMB1.0 each. On 14 September 2009, the Company issued 3,500 million A shares of the Company to domestic investors and these A shares of the Company were listed on the Shanghai Stock Exchange on 21 September 2009, and 2,610 million H shares of the Company were issued on 16 September 2009 and listed on the Main Board of The Stock Exchange of Hong Kong Ltd. (the “Hong Kong Stock Exchange”) on 24 September 2009. During the course of the issue of A shares and H shares of the Company, CMGC and CBSGC have transferred a total amount of 350 million shares of the Company to National Council for State Security Fund (“NSSF”) of the PRC and converted 261 million domestic shares into H shares and transferred to NSSF, among which 261 million H shares were offered for sale upon issuance of H shares of the Company. Upon completion of the public offering of A shares and H shares above, the total registered capital of the Company increased to RMB19.11 billion.

Pursuant to the special mandate granted by the shareholders at the 2016 First Extraordinary General Meeting, the 2016 First A Shareholders’ Class Meeting and the 2016 First H Shareholders’ Class Meeting, having received the “Approval in relation to the non-public issuance of Shares by Metallurgical Corporation of China Ltd.” (Zheng Jian Xu Ke [2016] No. 1794) from the China Securities Regulatory Commission (the “CSRC”), the Company started the non-public issuance of 1,613,619,170 A Shares of the Company to certain specific investors on 26 December 2016. Upon completion of the non-public issuance, the share capital of the Company increases to RMB20,723,619,000, and CMGC remains the controlling shareholder of the Company.

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

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

The Group provide services and products as follows: provision of engineering, construction and other related contracting services for metallurgical and non-metallurgical projects (“engineering contracting”); development and sale of residential and commercial properties, affordable housing and primary land development (“property development”); development and production of metallurgical equipment, steel structures and other metal products (“equipment manufacture”); and development, mining and processing of mineral resources and the production of nonferrous metal and polysilicon (“resource development”).

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 28 March 2017.

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”.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

IV. BASIS OF PREPARATION

1. Basis of preparation

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

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

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

2. 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 2016 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

For the year ended 31 December 2016

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

2. Accounting period

The Group has 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 in 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. 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

5. Business combinations *(Continued)*

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

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.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

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

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.

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. Classification of joint arrangement and accounting methods for joint management

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

7. Classification of joint arrangement and accounting methods for joint management *(Continued)*

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.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Translation of transactions and financial statements denominated in foreign currencies *(Continued)*

(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.

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(a) Classification of the financial assets (Continued)

- 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, interests 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.

– Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial asset or liability (including a group of financial assets or liabilities) and allocating interest income or expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount of the financial asset or liability.

When calculating effective interest rate, the Group takes estimated future cash flows based on contract terms of financial assets or liabilities into consideration regardless of future credit loss, and also takes all fees, transaction expenses and other premiums or discounts paid or received between contract parties of financial assets or liabilities into consideration, which form an integral part of the effective interest rate.

– Subsequent measurement of the financial assets

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. Gains or losses arising from derecognition, impairment or amortization is recognized in profit or loss.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(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;
- 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

(1) Financial assets *(Continued)*

(c) Impairment of financial assets *(Continued)*

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.

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.

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

(1) Financial assets *(Continued)*

(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.

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 expenses paid on the financial liabilities are recognized in profit or loss.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)*

– 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.

(4) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The issuance (including refinance), repurchase, selling or cancellation of these instruments are treated as change in equity. The enterprise should not recognize changes in the fair value of the equity instruments. The related transaction costs are deducted from equity.

Distribution to the holders of the equity instrument is treated as profit distribution, and the stock dividend does not affect the total shareholders' equity.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 portfolios of credit risk characteristics

Bad debt provision method by portfolios of credit risk characteristics

Group 1: aging analysis method	With credit risk according to nature of business.
Group 2: no provision	No need to recognize bad debts provision 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Inventories

(1) Categories of inventories and initial measurement

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, material procurement, outsourced processing materials, work in progress, finished goods, other materials, 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.

(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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

12. Inventories *(Continued)*

(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.

13. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. Long-term equity investments *(Continued)*

(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.

(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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

13. Long-term equity investments *(Continued)*

(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.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Investment properties (Continued)

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 and structures	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, office equipment and others.

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 reliably measured. 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

For the year ended 31 December 2016

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

15. Fixed assets *(Continued)*

(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).

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 expenses 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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.

(c) The right to use the franchise

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

18. Intangible assets *(Continued)*

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

(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) Review the useful life and amortization method periodically

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).

(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; and
- 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Employee benefits *(Continued)*

(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 expenses 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 profits or losses 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.

(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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Employee benefits *(Continued)*

(3) Termination benefits *(Continued)*

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 it is probable that an outflow of resources will be required to settle this obligations and the amount has been reliably estimated.

23. Perpetual bonds or other financial instruments

Perpetual bonds or other financial instruments issued by the Group are equity instruments if, and only if both conditions (1) and (2) below are met:

- (1) 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

23. Perpetual bonds or other financial instruments *(Continued)*

- (2) 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Revenue *(Continued)*

(2) Revenue from construction contracts *(Continued)*

(a) *(Continued)*

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.

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 construction is set out in Note VII9(4) and Note VII29(3).

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Revenue *(Continued)*

(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.

(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.

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For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

24. Revenue *(Continued)*

(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.

(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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

25. Government grants *(Continued)*

(2) The basis of judgment and accounting method of the government grants related to profits *(Continued)*

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.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

26. Deferred tax assets/deferred tax liabilities *(Continued)*

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.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

28. Other significant accounting policies and accounting estimates *(Continued)*

(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>, 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 VII45.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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

The Company recognizes the revenue of construction contract using percentage-of-completion method (shall be estimated by the management). 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 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.

As at 31 December 2016, the carrying amount of accounts receivable of the Group was RMB69,544,642,000 (as at 31 December 2015: RMB63,663,109,000), the amount of the provisions for bad debts deducted was RMB12,134,040,000 (as at 31 December 2015: RMB9,451,939,000), details of which are set out in Note VII4(1).

(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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2015: 14.29% to 17.33%).

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.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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) (Continued)

As at 31 December 2016, the Group has recognized deferred tax assets of RMB4,358,008,000 (as at 31 December 2015: RMB3,733,420,000), 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 2016, the Group has an unrecognized deductible tax losses of RMB20,459,621,000 (as at 31 December 2015: RMB22,009,153,000), and an unrecognized deductible temporary differences of RMB4,797,369,000 (as at 31 December 2015: RMB4,290,281,000), 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 supplementary benefits paid to certain retired employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions 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 supplementary employee retirement benefit obligations.

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)	3%, 5%, 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%

Approved by State Council of the PRC, from 1 May 2016 onward, construction industry, real estate industry, finance industry as well as consumer services industry will all be included into the pilot scheme of the switch from business tax to VAT, and the payment of business tax by such industries will switch to payment of VAT. The VAT rate of 11% shall be applicable to construction and real estate industry, while the VAT rate of 6% shall be applicable to the finance industry. Any construction or real estate project commencement before 1 May 2016 shall be eligible to use a simple VAT taxation method with a tax rate of 3% or 5% respectively. The Group's taxable revenue generated from engineering contracting and property development has changed from paying business tax to paying VAT after the tax reform.

(1) **The entities within the mainland of PRC which are suitable for non-25% enterprise income tax rates are disclosed in Note VI2.**

(2) **The foreign business entities subject to non-25% income tax rates**

Subject of tax payment	Enterprise income tax rate
China Enfi Congo (DRC) Co. Ltd.	40%
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 Metallurgical Co., Ltd.	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	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 Australia (Brisbane) Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
China First Metallurgical Construction Malaysia Co., Ltd.	28%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Malaysia Construction Engineering Co., Ltd.	24%
Shanghai Baoye (Malaysia) Co., Ltd.	24%
MCC-CISDI Engenharia do Brisa Ltd.	20%
MCC Tian Gong (Kuampuchea) Engineering Technology Co., Ltd.	20%
China 22 MCC Group Russia Co., Ltd.	20%

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VI. TAXATION (Continued)

1. Major categories of taxes and respective tax rates (Continued)

(2) The foreign business entities subject to non-25% income tax rates (Continued)

Subject of tax payment	Enterprise income tax rate
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Tailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
China Metallurgical International (Kampuchea) Co., Ltd.	20%
Shanghai Baoye (Kampuchea) Co., Ltd.	20%
China nineteen Metallurgical Group Vietnam Co., Ltd.	20%
China Jingye Engineering Corporation Ltd. (Singapore Branch)	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
MCC Real Estate Tampines Co., 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%
Chinese Metallurgical Engineering Technology (Hongkong) Co., Ltd.	16.5%
MCC-CISDI Engenharia do Brisal Ltd.	16.38%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Opration Co., Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	10%
MCC Indonesia Construction Co., Ltd. (Original name: 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%

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"), a series of tax policies to further support the development of the western region are made clear. 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 to enjoy preferential tax policies for the development of the western regions, and they 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;

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VI. TAXATION (Continued)

2. Tax incentive (Continued)

(1) Preferential Tax Policies for the Development of the Western Regions (Continued)

- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020;
- (c) Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace 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. and MCC Xi'an 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;
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 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 government authorities, these enterprises can enjoy the related tax incentives of high-technology enterprises:

- (a) 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.
- (b) 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, Nan Jing Industrial Furnace Co., Ltd., MCC Communication Construction Group Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd. (Original name: 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.
- (c) 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., Hunan Changtian Automation Co., Ltd. and Baotou Beilei Continuous Casting Engineering Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2014 to 2017.

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For the year ended 31 December 2016

VI. TAXATION (Continued)

2. Tax incentive (Continued)

(2) Preferential Tax Policies for High-Technology Enterprises (Continued)

- (d) Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC., 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 20 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., Wuhan 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., Beijing Jinwei Soldering Material Co., Ltd. and CISDI Engineering Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2017.
- (e) 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.
- (f) Beijing Tieforce Drive Machine Co., Ltd., CISDI Electrics Technology Co., Ltd., Beijing Sida Jian Mao Science and Technology Development Co., Ltd., Northern Engineering & Technology Corporation, MCC (Dalian), ACRE Coking & Refractory Engineering Consulting (Dalian) Corporation, WISDRI Wuhan Steel Design & Research Co., Ltd., WISDRI Handan Wupeng Furnace Lining New Material Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., BERIS Engineering and Research Co., Ltd., MCC Energy Conservation Environmental Protection Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Qinhuangdao Design & Research Institute Co., Ltd., Metallurgical Construction Research Institute (Shenzhen) Co., Ltd. and MCC TianGong Group Corporation Limited have been levied at a preferential tax rate of 15% from 2016 to 2018.

(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 clause 88 of Chapter IV 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:

The businesses of Huangshi Water Corporation MCC, Lanzhou Zhongtuo Water Corporation, Liuan Water Corporation MCC, Maanshan Water Corporation, MCC, Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., MCC Xuancheng Water Co., Ltd., Enfi New Energy (Zhongwei) Co., Ltd., MCC Changle Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. fall within 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.

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For the year ended 31 December 2016

VI. TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax benefits (Continued)

(a) (Continued)

Among them, the preferential policy of Huangshi Water Corporation MCC has come into effect in 2011, the applicable tax rate for the current period was 12.5%. The preferential policy of Lanzhou Zhongtuo Water Corporation and Enfi New Energy (Zhongwei) Co., Ltd. has come into effect in 2012, the applicable tax rate for the current period 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 the current period was 0%. The preferential policy of Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd. and MCC Xuancheng Water Co., Ltd., has come into effect in 2015 and the applicable tax rate for the current period was 0%. MCC Changle Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd., has come into effect in 2016 and the applicable tax rate for the current period 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 the current period, 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 the current period 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 the 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.

(c)

According to the Ministry of Finance and 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. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects. Each project is subject 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VI. TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax benefits (Continued)

- (d) According to the relevant regulation of Ministry of Finance and the State Administration of Taxation on Implementation of Preferential Enterprises Income Tax Policies for Small and Low-Profit Enterprises (“Caishui [2015] No. 34” and “Caishui [2015] No. 99”), 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., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Xi’an China Metallurgical New Material Co., Ltd., Dalian China Metallurgical jiaonai dragon Instrument Co. Ltd. and Tianjin Sino Thai Property Management Co., Ltd. met the standards of Small and Low-Profit Enterprises in 2016, enjoyed 50% reduction of income tax and 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., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Shanghai Baoye Steel Structure Co., Ltd. (Formerly name: Shanghai Baoye Light Steel Co., Ltd.), Nanjing Meiye Mechanical and Electrical Equipment Co., Ltd., Shanghai Yejian Ke’ao High Temperature Materials Co., Ltd., Inner Mongolia Construction Investment Co., Ltd. and Chongqing MCC Property Management Co., Ltd. met the standards of Small and Low-Profit Enterprises from 2015 to 2017, enjoyed 50% reduction of income tax and their applicable enterprises income tax rate was 20%.

- (e) 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” enterprise 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 enjoyed the aforesaid preferential policy in 2016.

- (f) 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 2016.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VI. TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax benefits (Continued)

- (g) 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. has enjoyed the preferential tax policy of the additionally calculation and deduction of research and development expenditures from 2008 to 2016.

MCC Baosteel Technology Services Co., Ltd., Shanghai Baoye Industry Technology Service 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., Panzihua 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., Wuhan 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, MCC Huatian Engineering & Technology (Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering & Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical 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 Tiefertice Drive Machine Co., Ltd., MCC Xi'an 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 Changtian Energy-saving, Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd. and Baotou Beilei Continuous Casting Engineering Technology Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2016.

- (h) According to "Caishui [2015]78", The Ministry of Finance and 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VI. TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax benefits (Continued)

(h) (Continued)

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Corporation, Changzhou Enfi Water Co., Ltd., Laian 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, Maanshan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., MCC Changle Water Co., Ltd., MCC Xinglong Water Co., Ltd., MCC Qinhuangdao Water Co., Ltd. and China City Environment Protection Engineering Limited Company enjoyed the policy of “levy and refund” of value-added tax refund of 70% for the sewage treatment services since 1 July 2015.

- (i) According to the Ministry of Finance and 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. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects, which are exempted from VAT.

- (j) 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%.

- (k) According to the Ministry of Finance and 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%. CISDI Electrics Technology Co., Ltd. enjoyed the policy of “levy and refund” of value-added tax of selling software products for long-term, with the refund rate of 14%.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VI. TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax benefits (Continued)

- (l) According to the State Administration of Taxation, No. [2013]37, the technology development business income of MCC Xi'an Electric Furnace Institute Co., Ltd. and Beijing Enfi Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2016. The income derived from the operations of technology transfers of Zhong Ye Chang Tian International Engineering Co., Ltd. was exempted from the value-added tax in 2016. The income derived from the operations of technology transfers and the technology development business of Huatian Engineering & Technology Corporation, MCC, was exempted from value-added tax in 2016.
- (m) According to the "Caishui [2000] No. 125" issued by the Ministry of Finance and the State Administration of Taxation, 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 from January to April 2016.
- (n) According to the "Caishui [2016] No. 94" issued by the Ministry of Finance and the State Administration of Taxation, the income derived from providing heating services to residents of MCC Real Estate Service Co., Ltd. was exempted from value-added tax during 2016 to 2018.
- (o) According to the "Caishui [2010] No. 42" issued by the Ministry of Finance and the State Administration of Taxation, 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 the property transfer book was exempted from stamp duty in 2016. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax.
- (p) According to the "Caishui [2013] No. 101" issued by the Ministry of Finance and the State Administration of Taxation, China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from local education surcharge and stamp duty in 2016.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

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

As at 31 December 2016, restricted cash and bank balances was RMB6,151,479,000 (as at 31 December 2015: RMB4,994,328,000) (in Note VII65), mainly including deposits for issuing bills of RMB2,764,374,000 (as at 31 December 2015: RMB2,942,072,000), statutory deposit reserve of RMB1,045,751,000 (as at 31 December 2015: RMB1,074,871,000), guarantee deposits of RMB450,775,000 (as at 31 December 2015: RMB542,054,000), bid security of RMB1,090,590,000 (as at 31 December 2015: nil) and frozen deposits of RMB218,911,000 (as at 31 December 2015: RMB115,179,000) etc.

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	1,044	1,410,011
Including: Currency funds	–	1,408,856
Equity instruments	1,044	1,155
Total	1,044	1,410,011

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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Bills receivable

(1) Bills receivable analysed by category

All amounts in RMB'000

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

(2) Pledged bills receivable at the end of the year

All amounts in RMB'000

Items	Amount
Bank acceptance bills	237,140
Commercial acceptance bills	4,000
Total	241,140

(3) Bills receivable endorsed to other parties or discounted but not yet due at the end of the year

As at 31 December 2016, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB7,147,984,000 (as at 31 December 2015: RMB5,214,275,000), among which the amount derecognized was RMB4,942,097,000 (as at 31 December 2015: RMB4,534,826,000). 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, substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred, the Group derecognized these bills receivable from the financial statements. The amount not derecognized was RMB2,205,887,000 (as at 31 December 2015: RMB679,449,000). 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 did not derecognize these bills receivable from the financial statements.

(4) Bills receivable with title restriction as at 31 December 2016 are set out in Note VII65.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable

(1) Aging analysis of accounts receivable was as follows

All amounts in RMB'000

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

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions. The age of accounts receivable is calculated based on the date of issuing billing of construction service or the date of revenue recognition.

(2) Accounts receivable disclosed by category

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

(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)	Closing balance			Reasons
	Book value	Provision for bad debts	Proportion of provision (%)	
Party 1	1,181,012	120,077	10.17	Discounted amount of future cash flows is less than the original book value
Party 2	1,028,959	460,708	44.77	
Party 3	578,767	289,383	50.00	
Party 4	517,189	326,802	63.19	
Party 5	448,167	157,589	35.16	
Others	2,559,426	1,077,276	42.09	
Total	6,313,520	2,431,835	/ /	

(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	33,750,437	1,687,522	5.00	33,675,263	1,683,763	5.00
1 to 2 years	10,358,899	1,035,890	10.00	10,090,229	1,009,023	10.00
2 to 3 years	4,721,036	1,416,311	30.00	4,293,138	1,287,942	30.00
3 to 4 years	2,719,267	1,359,634	50.00	2,323,084	1,161,542	50.00
4 to 5 years	1,300,276	1,040,221	80.00	1,001,239	800,991	80.00
Over 5 years	1,874,010	1,874,009	100.00	1,546,058	1,546,058	100.00
Total	54,723,925	8,413,587	15.37	52,929,011	7,489,319	14.15

(3) Provision for bad debts for the current year was RMB2,708,381,000, recovered or reversed bad debts were RMB7,182,000.

(4) Accounts receivable written off for the current year were RMB22,584,000.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. 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 Group	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the year
Party 1	Third Party	3,261,794	3.99	356,214
Party 2	Third Party	1,742,111	2.13	738,941
Party 3	Third Party	1,667,644	2.04	–
Party 4	Third Party	1,529,687	1.87	158,945
Party 5	Third Party	1,366,719	1.68	336,465
Total	/	9,567,955	11.71	1,590,565

(6) As at 31 December 2016, the Group had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2015: nil).

(7) Accounts receivable with title restriction as at 31 December 2016 are set out in Note VII65.

5. 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	7,764,242	57.85	9,296,402	67.86
1 to 2 years	2,677,573	19.95	2,006,443	14.65
2 to 3 years	1,268,474	9.45	766,112	5.59
Over 3 years	1,710,769	12.75	1,629,516	11.90
Total	13,421,058	100.00	13,698,473	100.00

As at 31 December 2016, prepayments aged over one year were RMB5,656,816,000 (as at 31 December 2015: RMB4,402,071,000), mainly including prepaid land lease payments and prepaid construction costs.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments (Continued)

(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	504,000	3.75
Party 2	Third Party	387,799	2.89
Party 3	Third Party	361,292	2.69
Party 4	Third Party	313,988	2.34
Party 5	Associates	208,709	1.56
Total	/	1,775,788	13.23

6. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests on term deposits	26,666	11,644
Total	26,666	11,644

7. 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	18,000
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	17,097
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	11,560	696
Bank of Communications Co., Ltd.	70	-
Wuhan Zhonghe Engineering Technique Co., Ltd.	-	1,000
Maanshan Jiahe Real Estate Co., Ltd.	-	1,000
Wuhan Iron & Steel Group Finance Corporation, limited	-	252
Total	46,727	38,045

(2) As at 31 December 2016, dividends receivable aged over one year were RMB35,097,000.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

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

(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)	2,544,423	7.39	993,833	39.06	1,550,590	1,414,576	4.48	514,704	36.39	899,872
Subject to provision by portfolios of credit risk characteristics										
Group 1 (b)	6,303,731	18.32	1,556,909	24.70	4,746,822	7,900,614	25.08	1,614,270	20.43	6,286,344
Group 2	24,697,745	71.78	-	-	24,697,745	21,788,515	69.16	-	-	21,788,515
Other receivables which are individually insignificant but subject to provision individually	862,095	2.51	447,297	51.88	414,798	403,004	1.28	320,937	79.64	82,067
Total	34,407,994	/	2,998,039	/	31,409,955	31,506,709	/	2,449,911	/	29,056,798

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

(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)	Closing balance			Reasons
	Book value	Provision for bad debts	Proportion of provision (%)	
Party 1	1,238,725	371,617	30.00	Discounted amount of future cash flows is less than the original book value.
Party 2	377,172	75,434	20.00	
Party 3	262,050	25,205	9.62	
Party 4	196,458	196,458	100.00	
Party 5	188,894	188,894	100.00	
Others	281,124	136,225	48.46	
Total	2,544,423	993,833	/ /	

(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	3,255,906	162,795	5.00	3,925,619	196,281	5.00
1 to 2 years	832,061	83,206	10.00	1,937,870	193,787	10.00
2 to 3 years	785,117	235,534	30.00	820,909	246,273	30.00
3 to 4 years	669,193	334,597	50.00	401,165	200,583	50.00
4 to 5 years	103,387	82,710	80.00	188,523	150,818	80.00
Over 5 years	658,067	658,067	100.00	626,528	626,528	100.00
Total	6,303,731	1,556,909	24.70	7,900,614	1,614,270	20.43

(3) Provision for bad debts for the current year was RMB650,018,000, recovery or reversal of bad debts were RMB52,853,000.

(4) Other receivables written off for the current year were RMB261,000.

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

(5) Other receivables categorised by nature

All amounts in RMB'000

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

(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	2,542,943	Within 3 years	7.39	–
Party 2	Third Party	Guarantee deposits	2,100,000	Within 1 year	6.10	–
Party 3	Joint Venture	Loan receivables from related parties	1,550,547	Within 1 year	4.51	–
Party 4	Associate	Loan receivables from related parties	1,397,232	Within 2 years	4.06	–
Party 5	Joint Venture	Loan receivables from related parties	1,238,725	Within 2 years	3.60	371,617
Total	/	/	8,829,447	/	25.66	371,617

(7) As at 31 December 2016, there was no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2015: nil).

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories

(1) Categories

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	2,108,675	42,985	2,065,690	1,926,197	102,040	1,824,157
Materials procurement	82,972	–	82,972	157,254	–	157,254
Outsourced processing materials	73,396	–	73,396	56,985	–	56,985
Work in progress	2,330,806	7,689	2,323,117	2,534,081	6,710	2,527,371
Finished goods	2,219,413	130,692	2,088,721	2,667,972	281,394	2,386,578
Other materials	433,515	8,440	425,075	426,573	9,496	417,077
Gross amount due from contract customers	63,020,495	1,597,993	61,422,502	52,753,223	1,207,475	51,545,748
Properties under development (a)	43,817,341	188,860	43,628,481	44,084,325	218,630	43,865,695
Completed properties held for sale (b)	10,150,430	69,289	10,081,141	12,584,372	60,000	12,524,372
Total	124,237,043	2,045,948	122,191,095	117,190,982	1,885,745	115,305,237

Note: Inventories with title restriction are set out in Note VII65.

(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	9,826,457	10,484,513
Tianjin Xinbadali District Qixianli Project	2014-12-25	2018-05-31	6,375,700	4,811,471	5,237,063
Brazil Fluctuation Apartment Project	2015-06-30	2018-12-31	3,686,040	2,516,151	2,939,137
Singapore Tampines No.10 Project	2013-10-16	2017-04-30	2,755,922	1,848,589	2,092,215
MCC Tongluo Town (Original name: Chongqing Tieshanping Project)	2014-11-01	2020-12-31	4,220,460	1,790,109	1,931,281
Qin Hai Yun Villa Project	2011-08-08	2018-12-31	4,400,000	1,443,029	1,688,219
Beijing Daxing Jiugonglvge A1 Project	2013-09-13	2017-06-30	5,082,000	3,458,738	1,583,029
MCC 39 Street Project	2017-05-15	2019-12-31	2,639,749	1,033	1,411,206
Singapore Tampines Apartment Project Block D	2015-10-01	2019-11-30	2,008,581	1,100,184	1,344,294
Baotou MCC Campus South Road Community Project	2011-08-01	2019-12-31	4,100,000	1,637,127	1,262,321
Tangshan Fengrun Gengyang New City Project	2010-03-01	2020-12-31	10,550,000	1,155,165	1,255,828
MCC Port Base Project	2015-03-01	2018-12-31	4,600,000	17,792	1,137,905
Guangdong, Zhuhai, Hengqin New City Headquarters building II	2016-12-01	2019-11-30	8,693,970	705,125	752,889

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development (Continued)

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	Opening balance	Closing balance
MCC Dream Gather Plaza	2015-04-05	2017-10-21	1,223,056	671,887	702,426
Hong Kong Quanwan Project	2013-12-06	2017-12-31	1,158,560	520,762	658,570
Heilongjiang, Qiqihaer, MCC, Binjiang International Town Project I	2010-10-16	2018-10-15	1,617,820	573,169	627,589
Xi'an, MCC, Chang'an City Project II	2013-03-15	2017-06-30	1,160,806	740,222	594,395
MCC Shanghe Residence Project	2014-06-20	2017-12-31	985,930	419,378	521,904
Zhenjiang Yucui Gardan Project	2014-06-01	2019-06-30	1,200,000	716,645	430,298
Hubei Huangshi City – MCC Huangshi Garden Project II	2015-01-01	2018-12-31	1,351,899	360,661	422,851
MCC: Riverside Project I&II	2013-12-31	2017-12-31	800,000	420,700	420,700
Hebei, Qinhuangdao, Yudaiwan Project	2008-12-23	2017-12-31	3,675,070	488,565	393,055
Shanxi Taiyuan North Street Liuxi Gardan Project	2008-03-01	2017-12-31	1,302,263	345,629	372,508
Tangshan MCC Phoenix City	2013-09-01	2017-12-31	600,000	422,481	334,459
Shanghai Jinshan District – MCC Fengjunyuan Project II	2015-12-31	2017-12-31	517,955	293,070	331,929
Taihang Street Project	2010-04-01	2017-12-31	2,672,858	187,075	314,663
MCC Shanghewan Project (Original name: Shenyang CB2013-5 Changbai West Road Northern Land)	2015-05-01	2018-05-01	681,750	234,702	270,638
Maanshan, Jinfu Garden Security Housing Project II	2013-07-01	2017-12-31	1,120,000	213,797	247,158
Zhenjiang MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2011-06-03	2017-12-31	1,939,540	422,465	245,261
Chongqing, Dadukou, MCC International City Project II	2011-12-01	2017-12-31	1,380,000	528,386	239,452
MCC Southern International Community	2014-01-01	2017-04-30	1,400,000	326,473	237,433
Holiday Resort of Baizhi Mountain of MCC	2014-04-01	2024-04-01	4,000,000	105,111	233,108
Maanshan, Zhongdingyue City Project	2011-09-08	2017-12-31	1,500,000	221,091	221,843
Others	/	/	67,492,071	5,561,086	2,877,201
Total	/	/	<u>173,620,279</u>	<u>44,084,325</u>	<u>43,817,341</u>

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. 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
Heilongjiang, Qiqihaer, MCC, Binjiang International Town Project I	2015-12-18	817,101	-	53,742	763,359
Dalian International Business City	2014-12-31	902,790	-	220,068	682,722
Chongqing, Dadukou, MCC International City Project	2016-12-31	376,447	416,769	259,667	533,549
Zhenjiang MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2016-12-31	297,577	251,548	30,663	518,462
Tangshan, Wutong Road Project	2012-10-31	520,906	1,920	25,266	497,560
Heilongjiang, Qiqihaer, Longsha District New Century Plaza Project	2013-12-30	336,576	78,628	-	415,204
Shaoxing MCC Chinese Parasol Garden III	2015-06-30	422,235	17,111	33,383	405,963
Qin Hai Yun Villa Project	2014-10-31	395,139	-	-	395,139
Maanshan, Zhongdingyue City Project	2015-12-31	614,774	-	245,564	369,210
Baotou MCC Campus South Road Community Project	2016-02-28	35,638	1,042,169	724,571	353,236
Anshan Yuluanwan Project II	2014-10-30	317,251	13,463	17,881	312,833
Guangdong, Zhuhai, Hengqin New City Headquarters building I	2016-06-30	-	1,135,090	853,888	281,202
Anshan Yuluanwan Project III	2016-12-31	-	350,568	86,530	264,038
Xi'an, MCC, Chang'an City Project I	2013-12-25	298,959	-	37,857	261,102
Zhenjiang Yucui Gardan Project	2016-12-15	-	399,359	143,814	255,545
Tangshan Heliangongfang District Rebuilding Project	2012-06-30	220,099	-	-	220,099
Chongqing MCC Chongqing Morning Project	2012-12-28	253,015	-	37,835	215,180
Sichuan Pi County World of Countryside Project	2013-05-18	225,042	2,065	25,024	202,083
Others	/	6,550,823	7,682,430	11,029,309	3,203,944
Total	/	12,584,372	11,391,120	13,825,062	10,150,430

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

Items	Opening balance	Increase			Decrease		Closing balance
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	102,040	9,031	-	65,631	2,455	-	42,985
Work in progress	6,710	979	-	-	-	-	7,689
Finished goods	281,394	194,082	3,211	52	347,943	-	130,692
Other materials	9,496	1,041	-	2,097	-	-	8,440
Gross amount due from contract customers	1,207,475	435,896	1,982	501	30,454	16,405	1,597,993
Properties under development	218,630	-	-	-	29,770	-	188,860
Completed properties held for sale	60,000	17,272	-	-	7,983	-	69,289
Total	1,885,745	658,301	5,193	68,281	418,605	16,405	2,045,948

(3) As at 31 December 2016, the total borrowing costs capitalized in properties under development were RMB4,967,166,000 (as at 31 December 2015: RMB4,660,398,000). Borrowing costs capitalized during the year ended 31 December 2016 amounted to RMB1,324,715,000 (for the year ended 31 December 2015: RMB2,177,776,000). The capitalization rates of borrowing costs were from 2.75% to 6.86% (for the year ended 31 December 2015: from 3.85% to 7.54%).

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

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(4) Gross amount due from contract customers of construction contracts at the end of the year (Continued)

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

As of 31 December 2016, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. Based on the assessment of the project costs, the Group is of the view that the previous estimation of project construction costs made at the end of 2012 should not have any significant change. Hence, as at 31 December 2016, the Group did not make any adjustment on the provision for loss of the project.

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

10. 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 VII14)	3,745,636	7,054,781
Total	3,745,636	7,054,781

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

11. Other current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
VAT debit balance	918,292	–
Prepayments of enterprise income tax	579,076	229,319
Total	1,497,368	229,319

12. 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	1,668,422	97,752	1,570,670	1,673,446	93,294	1,580,152
– Measured at fair value	436,594	–	436,594	480,449	–	480,449
– Measured at cost	1,231,828	97,752	1,134,076	1,192,997	93,294	1,099,703
Investment in private funds	1,094,900	–	1,094,900	100,000	–	100,000
Total	2,763,322	97,752	2,665,570	1,773,446	93,294	1,680,152

(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	Investment in private funds	Total
Cost/carrying cost	111,822	1,094,900	1,206,722
Fair value	436,594	1,094,900	1,531,494
Cumulative fair value changes included in other comprehensive income	324,772	–	324,772
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.

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. 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	Provision for impairment			Closing balance	Percentage of shareholding in the investee (%)	Cash dividends
		Increase	Decrease		Opening balance	Increase	Decrease			
Tangshan Stainless steel Co., Ltd. (Note IX3(1)(a)(iii))	645,000	-	-	645,000	-	-	-	-	23.89	-
Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	80,000	-	-	80,000	-	-	-	-	14.45	11,560
China Overseas Infrastructure Development Investment Co., Ltd.	-	64,882	-	64,882	-	-	-	-	3.85	-
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd. (Note IX3(1)(a)(iii))	48,000	-	-	48,000	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	-
Hankou Bank Co., Ltd.	27,696	-	-	27,696	-	-	-	-	0.74	2,751
Kunming Hai Chen Investment Co., Ltd.	22,500	-	-	22,500	-	-	-	-	15.00	-
Shanxi Sanjin Mining Holdings Co., Ltd. (Note IX3(1)(a)(iii))	20,000	-	-	20,000	-	-	-	-	20.00	-
Others	260,096	35,921	61,972	234,045	45,294	4,458	-	49,752	/	6,702
Total	1,192,997	100,803	61,972	1,231,828	93,294	4,458	-	97,752	/	21,013

(4) Provision for impairment

All amounts in RMB'000

Category	Available-for-sale equity instruments	Total
Provision at the beginning of the year	93,294	93,294
Increase in the current year	4,458	4,458
Including: Impairment losses in the current year	4,458	4,458
Decrease in the current year	-	-
Including: Recovery because of the increase in fair value in the subsequent year	/	/
Provision at the end of the year	97,752	97,752

- (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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Held-to-maturity 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
Treasury bonds	144	144	-	144	144	-
Other bonds	20	20	-	3,971	3,951	20
Total	164	164	-	4,115	4,095	20

14. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

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

(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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Long-term receivables (Continued)

(1) Long-term receivables (Continued)

(a) (Continued)

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 2016, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1,310,000,000.

(2) As at 31 December 2016, long-term receivables transferred and derecognized in the previous year that the Group continued to involve in due to the subsequent payment service after contracting with assets transferee amounted to RMB1,800,000,000 (as at 31 December 2015: RMB3,580,000,000). At the view of the Group, the fair value concerned is insignificant.

15. Long-term equity investments

All amounts in RMB'000

Company name	Movements during the current year								Provision for impairment for the current year	Closing balance net of provision	Impairment provision
	Opening balance net of provision	Increasing investments	Decreasing investments	Share of profits/ losses	Other comprehensive income	Other equity movements	Declaration of cash dividends	Others			
1. Joint ventures											
Tianjin Zhongji Equipment Manufacture Co., Ltd.	348,376	-	-	(49,762)	-	-	-	-	-	298,614	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (Note IX11(b))	-	243,760	-	25	-	-	-	-	-	243,785	-
Beijing New Century Hotel Co., Ltd. (Note IX11(b))	200,088	-	-	3,640	-	-	(10,912)	-	-	192,816	-
Guizhou Ziwang Highway Construction Co., Ltd. (Note IX11(b))	-	152,946	-	-	-	-	-	-	-	152,946	-
Guizhou Sanli Highway Construction Co., Ltd. (Note IX11(b))	-	135,748	-	-	-	-	-	-	-	135,748	-
Others	70,594	238,945	(10,800)	(1,982)	-	-	-	-	-	296,757	-
Subtotal	619,058	771,399	(10,800)	(48,079)	-	-	(10,912)	-	-	1,320,666	-

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Long-term equity investments (Continued)

Company name	Movements during the current year							Provision for impairment for the current year	Others	Closing balance net of provision	Impairment provision
	Opening balance net of provision	Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends				
2. Associates											
Tianjin SERI Machinery Equipment Corporation Ltd.	720,215	-	-	801	-	-	-	-	-	721,016	-
CERI Yingkou Equipment Technology Co., Ltd.	622,526	-	-	(142,446)	-	-	-	-	-	480,080	-
Nanjing Ming's Culture Co., Ltd.	298,111	-	-	(846)	-	-	-	-	-	298,265	-
Tianjin Tuanbo Urban Development Co., Ltd.	205,577	-	-	17,647	-	-	-	-	-	223,224	-
Baotou MCC Real Estate Co., Ltd.	202,509	-	-	(8,159)	-	-	-	-	-	194,350	-
Others	1,246,029	902,067	(253,907)	59,148	-	-	(27,453)	-	-	1,925,884	56,731
Subtotal	3,295,967	902,067	(253,907)	(73,855)	-	-	(27,453)	-	-	3,842,819	56,731
Total	3,915,025	1,673,466	(264,707)	(121,934)	-	-	(38,365)	-	-	5,163,485	56,731

16. 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	2,167,157	555,907	2,723,064
2. Increase	435,034	34	435,068
(1) Purchase	1,334	-	1,334
(2) Transferred from fixed assets/ intangible assets	50,225	34	50,259
(3) Transferred from inventories	282,256	-	282,256
(4) Others	101,219	-	101,219
3. Decrease	32,701	-	32,701
(1) Disposal	7,465	-	7,465
(2) Transferred to fixed assets	25,236	-	25,236
4. Closing balance	2,569,490	555,941	3,125,431

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Investment properties (Continued)

(1) Investment properties measured at cost (Continued)

Items	Buildings and structures	Land use rights	Total
II. Total accumulated depreciation and amortization			
1. Opening balance	479,695	73,093	552,788
2. Increase	77,187	13,160	90,347
(1) Depreciation or amortization	60,558	13,152	73,710
(2) Transferred from fixed assets/ intangible assets	15,896	8	15,904
(3) Others	733	–	733
3. Decrease	4,300	–	4,300
(1) Disposal	1,327	–	1,327
(2) Transferred to fixed assets	2,973	–	2,973
4. Closing balance	552,582	86,253	638,835
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	2,016,908	469,688	2,486,596
2. Opening balance	1,687,462	482,814	2,170,276

(2) As at 31 December 2016, 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 2015: Nil).

(3) Investment properties with title restriction as at 31 December 2016 are set out in Note VII65.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets

(1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
I. Total historical cost:					
1. Opening balance	20,353,413	22,369,033	2,342,080	2,995,528	48,060,054
2. Increase	1,155,439	1,757,559	140,615	528,006	3,581,619
(1) Purchase	197,015	403,505	115,728	120,769	837,017
(2) Transferred from investment properties	25,236	-	-	-	25,236
(3) Transferred from construction in progress	618,112	1,024,910	363	58,378	1,701,763
(4) Others	315,076	329,144	24,524	348,859	1,017,603
3. Decrease	261,046	909,007	221,522	112,906	1,504,481
(1) Disposal or written-off	73,090	497,750	189,309	43,968	804,117
(2) Transferred to investment properties	50,225	-	-	-	50,225
(3) Transferred to construction in progress	40,390	2,408	-	-	42,798
(4) Others	97,341	408,849	32,213	68,938	607,341
4. Closing balance	21,247,806	23,217,585	2,261,173	3,410,628	50,137,192
II. Total accumulated depreciation					
1. Opening balance	4,708,911	9,236,814	1,441,327	1,087,327	16,474,379
2. Increase	808,757	1,776,643	198,158	270,735	3,054,293
(1) Depreciation	759,209	1,613,712	188,790	164,898	2,726,609
(2) Transferred from investment properties	2,973	-	-	-	2,973
(3) Others	46,575	162,931	9,368	105,837	324,711
3. Decrease	159,204	472,163	189,862	92,142	913,371
(1) Disposal or written-off	42,588	426,832	158,859	38,390	666,669
(2) Transferred to investment properties	15,896	-	-	-	15,896
(3) Transferred to construction in progress	8,666	1,275	-	-	9,941
(4) Others	92,054	44,056	31,003	53,752	220,865
4. Closing balance	5,358,464	10,541,294	1,449,623	1,265,920	18,615,301

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets (Continued)

(1) Fixed assets (Continued)

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
III. Total impairment provision					
1. Opening balance	374,380	919,969	26,625	110,483	1,431,457
2. Increase	15,506	64,085	904	7,269	87,764
(1) Provision	-	34,888	-	-	34,888
(2) Others	15,506	29,197	904	7,269	52,876
3. Decrease	14,590	16,664	2,797	1,035	35,086
(1) Disposal or written-off	903	14,790	340	66	16,099
(2) Others	13,687	1,874	2,457	969	18,987
4. Closing balance	375,296	967,390	24,732	116,717	1,484,135
IV. Total carrying amount of fixed assets					
1. Closing balance	15,514,046	11,708,901	786,818	2,027,991	30,037,756
2. Opening balance	15,270,122	12,212,250	874,128	1,797,718	30,154,218

(2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	20,915	18,895	-	2,020	Seasonal suspension or idle
Machinery and equipment	82,666	28,105	46,408	8,153	Seasonal suspension or idle
Other equipment	1,634	1,013	551	70	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	665,867	185,493	-	480,374

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets (Continued)

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	59,225
Motor vehicles	29,567

(5) Fixed assets of which certificates of title have not been obtained

Buildings and structures with an aggregate carrying amount of RMB66,173,000 (historical cost: RMB82,990,000) as at 31 December 2016 (as at 31 December 2015: carrying amount of RMB208,802,000; historical cost of RMB255,925,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
The office building of MCC Huaye Resources Development Company in Tianjin	50,023	In the process
The office building of MCC Huaye Resources Development Company in Beijing	16,150	In the process

(6) Fixed assets with title restriction as at 31 December 2016 are set out in Note VII65.

(7) The total depreciation of the Group's fixed assets amounted to RMB2,726,609,000 (for the year ended 31 December 2015: RMB2,830,503,000) for the current year, of which RMB1,910,893,000, RMB16,035,000 and RMB610,056,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (for the year ended 31 December 2015: RMB1,930,700,000, RMB13,953,000 and RMB647,768,000). The amount of depreciation of the Group's fixed assets which was charged to inventories amounted to RMB189,625,000 (for the year ended 31 December 2015: RMB238,082,000).

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets (Continued)

(8) Impairment provision for fixed assets was RMB1,484,135,000 as at 31 December 2016 (as at 31 December 2015: RMB1,431,457,000).

(a) As the market price of poly-silicon remained low, certain items of fixed assets of China Silicon Corporation Ltd. ("China Silicon"), a subsidiary of the Company, had impairment indicators. The Group performed an impairment assessment based on their estimated recoverable value of the production lines involving relative assets. The recoverable value was estimated by calculating the present value of the estimated future cash flows. 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. As at 31 December 2015, based on the impairment assessment, the accumulated impairment provision for the fixed assets of China Silicon amounted to RMB486,109,000. The Group assessed the present value of the recoverable value based on the latest financial forecast approved by the management and a pre-tax discount rate of 15.05% (for the year ended 31 December 2015:15.76%), and made no extra impairment provision for current year (for the year ended 31 December 2015: RMB50,391,000). 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. Based on the impairment assessment, the Group made an impairment provision for the fixed assets of Ramu Nico Project Papua New Guinea amounting to RMB656,184,000 for the year ended 31 December 2015. As at 31 December 2016, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB9,905,244,000, the Group has re-assessment of the main factors of effecting the impairment provision. 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 VII14). Based on the impairment assessment, the Group made no extra impairment provision for current period (for the year ended 31 December 2015: RMB656,184,000).

As at 31 December 2016, impairment provision for fixed assets which concerned Ramu Nico Project Papua New Guinea was RMB729,468,000, including the increasing accumulated impact on exchange fluctuation of U.S. dollars of RMB74,654,000. The related fixed assets belong to the resource development segment.

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. 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.	1,033,708	-	1,033,708	941,428	-	941,428
China ENFI Engineering Co., Ltd. office building renovation	487,341	-	487,341	310,851	-	310,851
Research and design center of Zhong Ye Chang Tian International Engineering Co., Ltd.	363,617	-	363,617	182,849	-	182,849
Duddar lead-zinc project	815,091	603,202	211,889	810,080	603,202	206,878
Project in transforming steel slag line into cement production line	185,477	-	185,477	185,246	-	185,246
Southern building of MCC	174,729	-	174,729	108,644	-	108,644
CISDI R&D center in Chengdu	159,566	-	159,566	75,519	-	75,519
Baotou Laobeiliang Integrated Pipe Network Project	151,004	-	151,004	-	-	-
CCEPC manufacturing and research building	67,082	-	67,082	39,262	-	39,262
Large-scale multiple stamp work heavy equipment independent industrial base	66,170	-	66,170	55,029	-	55,029
Others	763,115	10,526	752,589	1,481,197	7,988	1,473,209
Total	4,266,900	613,728	3,653,172	4,190,105	611,190	3,578,915

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. 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 incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current year	Latest rate of borrowing costs capitalized for the current year (%)	Sources of fund
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	23,847,800	941,428	92,280	-	-	1,033,708	19.24	19.24	-	-	-	Self-raised funds
China ENFI Engineering Co., Ltd. office building renovation	680,000	310,851	176,490	-	-	487,341	71.67	71.67	25,695	10,468	5.93	Self-raised funds & loan from financial institutions
Research and design center of Zhong Ye Chang Tian International Engineering Co., Ltd.	569,000	182,849	180,768	-	-	363,617	85.63	85.63	-	-	-	Self-raised funds
Duddar lead-zinc project	1,070,448	810,080	117,336	(112,312)	(13)	815,091	86.64	86.64	15,877	10,393	5.00	Self-raised funds & loan from financial institutions
Project in transforming steel slag line into cement production line	188,832	185,246	231	-	-	185,477	98.22	98.22	-	-	-	Self-raised funds
Southern building of MCC	271,760	108,644	66,085	-	-	174,729	64.00	64.00	-	-	-	Self-raised funds
CISDI R&D center in Chengdu	766,550	75,519	84,047	-	-	159,566	20.94	20.94	-	-	-	Self-raised funds
Baotou Laobeiliang Integrated Pipe Network Project	527,476	-	151,004	-	-	151,004	29.00	29.00	-	-	-	Self-raised funds
CCEPC manufacturing and research building	175,867	39,262	27,820	-	-	67,082	38.14	38.14	-	-	-	Self-raised funds
Large-scale multiple stamp work heavy equipment independent industrial base	527,449	55,029	15,279	(4,138)	-	66,170	75.40	75.40	-	-	-	Self-raised funds
Others	15,546,519	1,481,197	1,006,527	(1,585,313)	(139,296)	763,115	/	/	3,767	3,767	/	/
Total	44,171,701	4,190,105	1,917,867	(1,701,763)	(139,309)	4,266,900	/	/	45,339	24,628	/	/

(3) The Group made an impairment provision for construction in progress amounting to RMB3,520,000 for the current year (for the year ended 31 December 2015: RMB7,988,000).

(a) As Duddar Lead-Zinc Project had an impairment indicator, the Group performed an impairment assessment based on their estimated recoverable value of relative assets. The recoverable value was estimated by calculating the present value of the estimated future cash flows. The estimated future cash flows were forecasted with reference to estimated production capacity, annual planned production volume, estimated production growth, estimated gross margin and estimated years of operations. Estimated income growth and gross margin were determined according to past market performance and management expectation. For the year ended 31 December 2014, the Group started the implementation of technological transformation of Duddar Lead-Zinc Project. As at 31 December 2015, based on the impairment assessment, the accumulated impairment provision for the construction-in-progress of Duddar Lead-Zinc Project amounted to RMB603,202,000. As at 31 December 2016, according to the latest financial forecast approved by the management and a pre-tax discount rate of 15% (for the year ended 31 December 2015: 15%) to assess the present value of the recoverable value, the Group should make no extra impairment provision for current period (for the period ended 31 December 2015: nil). The related construction-in-progress belong to the resource development segment.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Materials for construction of fixed assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Materials	18,180	25,408
Equipment	50,162	47,591
Tools and instruments prepared for production	709	673
Others	23	23
Total	69,074	73,695

20. 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	6,908,947	3,961,165	7,743,315	463,346	48,019	270	19,125,062
2. Increase	181,780	242,346	156,748	42,604	7,941	-	631,419
(1) Purchase	132,215	4,681	104,232	37,445	4,228	-	282,801
(2) Others	49,565	237,665	52,516	5,159	3,713	-	348,618
3. Decrease	138,990	4,651	69,402	986	200	-	214,229
(1) Disposal	4,995	-	883	-	200	-	6,078
(2) Transferred to investment properties	34	-	-	-	-	-	34
(3) Others	133,961	4,651	68,519	986	-	-	208,117
4. Closing balance	6,951,737	4,198,860	7,830,661	504,964	55,760	270	19,542,252
II. Total accumulated amortization							
1. Opening balance	1,033,890	96,051	660,127	304,053	35,212	270	2,129,603
2. Increase	143,329	9,776	157,794	52,980	3,056	-	366,935
(1) Amortization	143,329	9,776	157,794	51,797	3,056	-	365,752
(2) Others	-	-	-	1,183	-	-	1,183
3. Decrease	18,326	3	139	847	200	-	19,515
(1) Disposal	744	-	139	-	200	-	1,083
(2) Transferred to investment properties	8	-	-	-	-	-	8
(3) Others	17,574	3	-	847	-	-	18,424
4. Closing balance	1,158,893	105,824	817,782	356,186	38,068	270	2,477,023

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Intangible assets (Continued)

(1) Intangible assets (Continued)

Items	Land use rights	Mining rights	The right to use the franchise	Software	Patent and proprietary technology	Trademark right	Total
III. Total impairment provision							
1. Opening balance	29,575	2,438,522	-	16	-	-	2,468,113
2. Increase	25,625	149,846	-	2	4,783	-	180,256
(1) Provision	-	-	-	-	4,783	-	4,783
(2) Others	25,625	149,846	-	2	-	-	175,473
3. Decrease	-	-	-	-	-	-	-
(1) Others	-	-	-	-	-	-	-
4. Closing balance	55,200	2,588,368	-	18	4,783	-	2,648,369
IV. Carrying amount of intangible assets							
1. Closing balance	5,737,644	1,504,668	7,012,879	148,760	12,909	-	14,416,860
2. Opening balance	5,845,482	1,426,592	7,083,188	159,277	12,807	-	14,527,346

As at 31 December 2016, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.03% (as at 31 December 2015: 0.03%).

(2) As the Cape Lambert Iron Project owned by MCC Australia Holding Pty Ltd. ("MCCA", a wholly owned subsidiary of the Company) had an impairment indicator, 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 2016, the Group made an accumulated impairment provision for the Cape Lambert Assets amounting to RMB2,579,412,000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB455,800,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 31 December 2016 are set out in Note VII65.

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill

(1) Original historical amount

All amounts in RMB'000

Company name	Opening balance	Increase		Decrease		Closing balance
		Business combinations	Others	Disposal	Others	
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.	69,993	-	-	-	7,496	62,497
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
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
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	-	-	-	170,886	-
Shanghai SanGang Transport Handling Co., Ltd.	9,676	-	-	-	9,676	-
Total	545,317	-	-	-	188,058	357,259

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. 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 ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A.	69,993	-	-	-	7,496	62,497
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	7,799	227	-	-	-	8,026
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Shanghai YiGang Electrical Co., Ltd.	-	448	-	-	-	448
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	-	-	-	170,886	-
Shanghai SanGang Transport Handling Co., Ltd.	9,676	-	-	-	9,676	-
Total	371,584	675	-	-	188,058	184,201

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 2015: 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.

22. Long-term prepayments

All amounts in RMB'000

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Insurance expenditures	21,937	17,493	9,962	6,182	23,286
Rental expenditures	37,918	3,790	9,077	-	32,631
Repair expenditures	13,185	537	3,244	2,288	8,190
Others	104,631	133,294	62,653	1,959	173,313
Total	204,705	160,429	97,314	18,463	249,357

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. 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	16,546,703	3,264,476	13,231,727	2,582,870
Unrealized profit on inter-company transactions	1,317,523	291,397	1,294,257	276,138
Defined benefit plans	1,628,482	383,869	1,718,718	407,265
Deductible tax losses	630,595	150,930	834,614	191,262
Employee benefits payable	446,544	86,442	565,033	118,996
Changes in the fair value of available-for-sale financial assets	5,747	1,409	2,356	589
Others	1,095,523	232,608	1,041,527	217,403
Total	21,671,117	4,411,131	18,688,232	3,794,523

(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	119,206	38,515	137,424	44,830
Changes in the fair value of available-for-sale financial assets	330,441	82,173	372,556	92,496
Others	581,186	144,836	1,002,690	249,082
Total	1,030,833	265,524	1,512,670	386,408

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. 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	53,123	4,358,008	61,103	3,733,420
Deferred tax liabilities	53,123	212,401	61,103	325,305

(4) Details of the Group's unrecognized deferred tax assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deductible temporary differences	4,797,369	4,290,281
Deductible tax losses	20,459,621	22,009,153
Total	25,256,990	26,299,434

(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
2016	–	3,203,511
2017	6,665,659	7,419,018
2018	4,846,966	4,914,301
2019	3,144,828	3,145,673
2020	2,965,555	3,326,650
2021	2,836,613	–
Total	20,459,621	22,009,153

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Other non-current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deposits for acquisition of assets	166,974	110,000
Total	166,974	110,000

25. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledged loans (a)	228,674	524,120
Mortgaged loans (b)	96,000	250,500
Guaranteed loans (c)	485,590	324,680
Credit loans	48,930,176	35,698,852
Total	49,740,440	36,798,152

(a) Pledged loans

As at 31 December 2016, borrowings of RMB228,674,000 (as at 31 December 2015: RMB524,120,000) were secured by the pledge of the Group's accounts receivable and certificate of term deposits in an aggregate amount of RMB233,494,000 (as at 31 December 2015: RMB524,120,000).

(b) Mortgaged loans

As at 31 December 2016, borrowings of RMB96,000,000 (as at 31 December 2015: RMB250,500,000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate amount of RMB317,978,000 (as at 31 December 2015: RMB684,948,000).

(c) Guaranteed loans

As at 31 December 2016, borrowings of RMB485,590,000 were guaranteed by CMGC (as at 31 December 2015: RMB324,680,000 were guaranteed by CMGC).

- (2) As at 31 December 2016, the weighted average interest rate of short-term borrowings was 4.34% per annum (as at 31 December 2015: 5.46% per annum).

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Derivative financial liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Forward exchange contracts	<u>17,443</u>	14,339
Total	<u><u>17,443</u></u>	<u>14,339</u>

The basis of fair values determined on derivative financial liabilities are set out in Note XI3.

27. Bills payable

All amounts in RMB'000

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

28. Accounts payable

(1) Accounts payable

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts payable (Continued)

(2) Aging analysis of accounts payable

All amounts in RMB'000

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

(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	436,562	Projects not yet settled
Party 2	Third Party	209,275	
Party 3	Third Party	110,826	
Party 4	Third Party	101,970	
Party 5	Third Party	94,087	
Total	/	952,720	/

29. Receipts in advance

(1) Receipts in advance

All amounts in RMB'000

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

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. 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	317,836	Projects not yet settled
Party 2	Third Party	295,761	
Party 3	Third Party	209,000	
Party 4	Third Party	159,942	
Party 5	Third Party	150,289	
Total	/	<u>1,132,828</u>	/

(3) Gross amounts due to contract customers of construction contracts as at 31 December 2016

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	234,327,574
Recognized profits to date	22,496,680
Less: Estimated loss	12,589
Accumulated settlement	267,977,181
Gross amounts due to contract customers	<u>(11,165,516)</u>

30. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	1,818,831	14,908,779	15,086,009	1,641,601
II. Post-employment benefits -defined contribution plan	198,732	2,729,905	2,692,235	236,402
III. Termination benefits	22,895	167,676	176,021	14,550
IV. Other benefits	20,704	1,122,223	1,119,914	23,013
Total	<u>2,061,162</u>	<u>18,928,583</u>	<u>19,074,179</u>	<u>1,915,566</u>

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. 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	1,018,448	11,709,426	11,953,799	774,075
II. Staff welfare	3,775	387,693	386,558	4,910
III. Social insurance premiums	34,099	1,063,407	1,069,262	28,244
Including: Medical insurance	31,688	930,460	934,974	27,174
Work-related injury insurance	1,977	77,006	78,045	938
Maternity insurance	434	55,941	56,243	132
IV. Housing provident funds	146,523	1,461,974	1,445,385	163,112
V. Labor union expenditures and employees' education expenses	615,986	286,279	231,005	671,260
Total	<u>1,818,831</u>	<u>14,908,779</u>	<u>15,086,009</u>	<u>1,641,601</u>

(3) Defined contribution plan

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	125,988	2,199,922	2,180,136	145,774
2. Unemployment insurance	6,957	112,478	112,286	7,149
3. Supplementary pension	65,787	417,505	399,813	83,479
Total	<u>198,732</u>	<u>2,729,905</u>	<u>2,692,235</u>	<u>236,402</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 RMB2,729,905,000 (for the year ended 31 December 2015: RMB2,598,072,000) to the defined contribution plan for the current year. As at 31 December 2016, there was a payable amount of RMB236,402,000 (as at 31 December 2015: RMB198,732,000).

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Taxes payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Value added tax	626,232	(297,753)
Consumption tax	6,118	2,755
Business tax	(174,377)	4,052,946
Enterprise income tax	1,770,653	1,498,931
Individual income tax	408,967	372,045
City maintenance and construction tax	72,392	322,098
Education surcharges	51,485	215,457
Land appreciation tax	195,693	(285,660)
Others	153,604	177,022
Total	3,110,767	6,057,841

32. Interests payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests payable on long-term borrowings	168,899	144,979
Interests payable on corporate bonds	249,018	415,063
Interests payable on short-term borrowings	65,610	152,907
Others	10,000	39,171
Total	493,527	752,120

As at 31 December 2016, the Group did not have any significant overdue interest.

33. Dividends payable

All amounts in RMB'000

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

Dividends aged over one year but not settled yet is RMB531,876,000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Guarantees and deposits payable	11,265,439	9,756,335
Rental payable	263,583	282,112
Utilities payable	188,503	360,265
Repair and maintenance payable	369,348	266,398
Payables for land use rights	6,900	9,413
Others	6,587,352	5,619,927
Total	18,681,125	16,294,450

(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	2,528,264	The settlement dates were not yet due
Party 2	Third Party	194,070	
Party 3	Third Party	177,869	
Party 4	Third Party	146,277	
Party 5	Third Party	106,047	
Total	/	3,152,527	/

35. 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 VII37)	5,164,556	9,429,394
Bonds payable due within one year (Note VII38)	8,344,725	3,259,437
Long-term payables due within one year (Note VII39)	511,644	261,926
Long-term employee benefits payable due within one year (Note VII40)	419,328	445,845
Special payables due within one year (Note VII41)	—	230
Total	14,440,253	13,396,832

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Other current liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Amounts to be transferred to output VAT	3,880,005	–
Deferred income to be released to income statement within one year (Note VII43)	117,876	113,097
Short term bonds	<u>–</u>	<u>20,000,000</u>
Total	<u>3,997,881</u>	<u>20,113,097</u>

37. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledge loans (a)	922,691	846,138
Mortgage loans (b)	6,630,142	6,841,177
Credit loans	22,650,543	21,002,010
Total	<u>30,203,376</u>	<u>28,689,325</u>
Less: Long-term borrowings due within one year (Note VII35):	5,164,556	9,429,394
Including: Pledge loans	586,023	596,812
Mortgage loans	1,557,369	494,451
Credit loans	3,021,164	8,338,131
Long-term borrowings due over one year	<u>25,038,820</u>	<u>19,259,931</u>

(a) Pledge loans

As at 31 December 2016, borrowings of RMB922,691,000 (as at 31 December 2015: RMB846,138,000) were secured by the pledge of the Group's accounts receivable in amount of RMB1,227,916,000 (as at 31 December 2015: RMB1,096,138,000).

(b) Mortgage loans

As at 31 December 2016, borrowings of RMB6,630,142,000 (as at 31 December 2015: RMB6,841,177,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB11,103,373,000 (as at 31 December 2015: RMB10,550,114,000).

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Long-term borrowings (Continued)

(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	10,497,561	6,684,505
2 to 5 years	11,286,387	8,635,119
Over 5 years	3,254,872	3,940,307
Total	25,038,820	19,259,931

(3) As at 31 December 2016, the weighted average interest rate of long-term borrowings was 4.77% per annum (as at 31 December 2015: 5.07% per annum).

(4) As at 31 December 2016, the Group did not have any significant overdue long-term borrowings.

38. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Corporate debentures	6,654,000	3,204,000
USD debentures	6,906,278	9,656,167
SGD debentures	1,438,447	1,371,756
Total	14,998,725	14,231,923
Including: Bonds payable due within one year (Note VII35)	8,344,725	3,259,437
Bonds payable due over one year	6,654,000	10,972,486

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Bonds payable (Continued)

(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	-	164,944	-	-	-	2,704,000
USD debentures	3,322,100	2011-07-29	5 years	3,188,432	3,259,437	-	92,601	205,156	3,907	3,468,500	-
USD debentures (b)	3,076,850	2014-06-16	3 years	2,953,930	3,179,282	-	93,190	208,108	61,926	-	3,449,316
USD debentures (c)	3,081,900	2014-08-28	3 years	3,050,434	3,217,448	-	127,124	226,884	12,631	-	3,456,963
Corporate Debentures -SGD (d)	1,367,400	2015-05-21	2 years	1,361,151	1,371,756	-	45,612	63,392	3,298	-	1,438,446
Corporate Debentures (e)	500,000	2015-12-24	5 years	500,000	500,000	-	24,951	-	-	50,000	450,000
Corporate Debentures (f)	3,500,000	2016-03-03	3 years	3,500,000	-	3,500,000	138,542	-	-	-	3,500,000
Total	18,348,250	/	/	18,053,947	14,231,923	3,500,000	686,964	703,540	81,762	3,518,500	14,998,725

- (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 16 June 2011 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.
- (c) 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.
- (d) China Jingye Engineering Corporation Ltd. (Singapore Branch), a subsidiary of Central Research Institute of Building and Construction Co., Ltd., 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Bonds payable (Continued)

(2) Movements of bonds payable (Continued)

- (e) MCC Real Estate Group Co., Ltd. issued corporate debentures on a non-public issuance basis on 24 December 2015 at face value of RMB500,000,000, with a term of five years from issuance and interest bearing at a 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.
- (f) MCC Real Estate Group Co., Ltd. issued corporate debentures on a non-public issuance basis on 3 March 2016 at face value of RMB3,500,000,000, with a term of three years from issuance and interest bearing at a rate of 4.75% 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 second year for the duration of the private corporate debentures.

39. Long-term payables

(1) Long-term payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Finance lease payables	543,025	710,812
Housing maintenance fee payables	42,337	42,223
Funds payable	215	215
Others	776,347	400,913
Total	1,361,924	1,154,163
Including: Long-term payables due within one year (Note VII35)	511,644	261,926
Long-term payables due over one year	850,280	892,237

(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	290,823	579,161
2 to 5 years	156,695	293,260
Over 5 years	402,762	19,816
Total	850,280	892,237

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term payables (Continued)

(3) Details of finance lease payables

All amounts in RMB'000

	Closing balance	Opening balance
The first year after balance sheet	244,148	218,342
The second year after balance sheet	306,024	286,748
The third year after balance sheet	34,596	258,004
Subsequent years	16,716	80,531
Minimum lease payments	601,484	843,625
Less: Unrecognized finance costs	58,459	132,813
Finance lease payables	543,025	710,812
Including: Amount due for settlement within one year	211,474	182,782
Amount due for settlement after one year	331,551	528,030

40. 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	4,066,001	4,428,459
Total	4,066,001	4,428,459
Including: Long-term employee benefits payable due within one year (Note VII35)	419,328	445,845
Long-term employee benefits payable due over one year	3,646,673	3,982,614

(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	4,428,459	4,379,117
II. Defined benefit costs recognized in profit or loss	123,280	139,208
1. Past service cost	499	(880)
2. Net interest expense	122,781	140,088
III. Defined benefit costs recognized in other comprehensive income	4,938	418,332
1. Actuarial losses	4,938	418,332
IV. Other movements	(490,676)	(508,198)
1. Benefits paid	(490,676)	(508,198)
V. Closing balance	4,066,001	4,428,459

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Long-term employee benefits payable (Continued)

(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	419,328	348,886	921,648	2,812,572	4,502,434

- (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.

(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*

	2016.12.31	2015.12.31
Discount rate	3.00%	2.90%
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%

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Long-term employee benefits payable (Continued)

(3) The principal assumptions used for the purposes of the actuarial valuations and sensitivity analyses (Continued)

(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 1.60%	Increase by 1.60%
Annual growth rate of living cost for retirement staff and survivors	1.00%	Increase by 1.20%	Decrease by 1.00%
Annual growth rate of employee medical expense reimbursement	1.00%	Increase by 2.20%	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.

41. Special payables

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Housing allowance payables	607	–	–	607
Special housing maintenance fee payables	47	63	63	47
Special demolition compensation payables	7,707	–	7,707	–
Others	6,850	1,300	1,629	6,521
Total	15,211	1,363	9,399	7,175
Including: Special payables due within one year (Note VII35)	230	/	/	–
Special payables due over one year	14,981	/	/	7,175

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

42. Provisions

All amounts in RMB'000

Items	Closing balance	Opening balance	Reasons
Pending litigations	23,234	16,650	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	7,298	672	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	199,264	184,154	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.
Estimated non-recurring losses	300,000	—	Estimated non-recurring losses
Others	39,080	31,168	Others
Total	568,876	232,644	/

43. Deferred income

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants (a)	1,325,819	220,176	239,017	1,306,978	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	240,251	6,126	53,180	193,197	Others
Total	1,566,070	226,302	292,197	1,500,175	/

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Deferred income (Continued)

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Including: Deferred income to be released to profit and loss within one year (Note VII36)	113,097	/	/	117,876	/
Deferred income to be released to profit and loss over one year	1,452,973	/	/	1,382,299	/

(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	176,807	-	5,329	-	171,478	Related to assets
The return of land leasing in Chongqing Dadukou district	107,303	-	2,861	-	104,442	Related to assets
Subsidy for R&D building and electromechanical park project	70,400	-	3,200	-	67,200	Related to assets
R&D of technology and equipment of large gas purification (large-scaling of gas purification facilities)	67,375	-	7,453	-	59,922	Related to assets
NDRC (Large-scale industry base construction of multiform stamp forgings)	58,493	-	20	-	58,473	Related to assets
Subsidy for redevelopment project in Chongqing Jiulongpo district	58,443	-	2,319	-	56,124	Related to assets
Shuangbei tunnel state-owned land on the housing levy project	52,473	-	-	-	52,473	Related to assets
Subsidy for Xindu Integrated Pipe Network Project	-	50,000	-	-	50,000	Related to assets
NDRC/MIIT (2013 second central budget allocations about Industrial revitalization and technological transformation projects)	50,250	-	2,233	-	48,017	Related to assets
Financial support for the new industrial park	55,594	-	7,588	-	48,006	Related to assets
Others	628,681	170,176	193,356	14,658	590,843	Related to assets or incomes
Total	1,325,819	220,176	224,359	14,658	1,306,978	/

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. 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	1,613,619	-	-	-	1,613,619	20,723,619

Pursuant to the special mandate granted by the shareholders at the 2016 First Extraordinary General Meeting, the 2016 First A Shareholders' Class Meeting and the 2016 First H Shareholders' Class Meeting, having received the "Approval in relation to the non-public issuance of Shares by Metallurgical Corporation of China Ltd." (Zheng Jian Xu Ke [2016] No. 1794) from the CSRC, the Company started the non-public issuance of 1,613,619 thousand A Shares of the Company on 26 December 2016. The issue price is RMB3.86 per A share. After deducting the relevant issue expenses amounting to RMB55,078 thousand, the net proceeds from the non-public issuance amounted to RMB6,173,491 thousand on 30 December 2016. Deloitte Touche Tohmatsu CPA LLP. verified the proceeds from the non-public issuance and issued the capital verification report of De Shi Bao (Yan) Zi (16) No. 1081. Upon completion of the non-public issuance, the total number of issued share capital of the Company increased to 20,723,619 thousand shares. All formalities required by China Securities Depository and Clearing Corporation Limited in relation to the stock registration of the A shares newly issued under the non-public issuance had been fulfilled by 6 January 2017.

45. 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).	
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.

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. 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 2016 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.

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

46. Capital reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	17,947,320	4,559,872	–	22,507,192
Other capital reserve	(70,630)	14,613	12,831	(68,848)
Total	<u>17,876,690</u>	<u>4,574,485</u>	<u>12,831</u>	<u>22,438,344</u>

47. Other comprehensive income

All amounts in RMB'000

Items	Opening balance	Movements during the current year					Closing balance
		Other comprehensive income before tax for the year	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	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	
1. Other comprehensive income that will not be reclassified to profit or loss subsequently	42,506	(4,938)	–	2,008	(4,749)	(2,197)	37,757
Including: Remeasurement of defined benefit obligations	42,506	(4,938)	–	2,008	(4,749)	(2,197)	37,757
2. Other comprehensive income that may be reclassified subsequently to profit or loss:	149,814	32,073	3,705	(15,827)	1,486	42,709	151,300
Including: Net (loss) gain on revaluation of available-for-sale financial assets	246,275	(41,875)	3,705	(11,143)	(33,089)	(1,348)	213,186
Exchange differences on translating foreign operations	(96,461)	73,948	–	(4,684)	34,575	44,057	(61,886)
Total comprehensive income	<u>192,320</u>	<u>27,135</u>	<u>3,705</u>	<u>(13,819)</u>	<u>(3,263)</u>	<u>40,512</u>	<u>189,057</u>

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

48. Special reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Production safety fee	12,550	2,267,885	2,267,885	12,550
Total	12,550	2,267,885	2,267,885	12,550

49. Surplus reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve (a)	698,872	401,779	–	1,100,651
Total	698,872	401,779	–	1,100,651

- (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 RMB401,779,000 for the year ended 31 December 2016 (for the year ended 31 December 2015: RMB169,323,000), to the statutory surplus reserve.

50. Retained earnings

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Opening balance	12,782,248	9,275,519
Add: Net profit attributable to shareholders of the Company for the current year	5,375,858	4,801,562
Less: Appropriation to statutory surplus reserve (Note VII49(a))	401,779	169,323
Less: Declaration of dividends on ordinary shares (a)	1,051,050	955,500
Less: Declaration of dividends on perpetual bonds (c)	501,373	170,010
Closing balance (b) (c)	16,203,904	12,782,248

- (a) In accordance with the resolution at the 2016 first extraordinary general meeting of shareholders on 20 April 2016, a final cash dividend of RMB0.55 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,051,050,000. These dividends had been paid in the current year.

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Retained earnings (Continued)

- (b) As at 31 December 2016, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB9,717,285,000 (as at 31 December 2015: RMB9,032,174,000).
- (c) Dividends on perpetual bond amounted to RMB501,373,000 for the current year (for the year ended 31 December 2015: RMB170,010,000). As at 31 December 2016, retained earnings contained no interests belong to the perpetual bond holders (as at 31 December 2015: nil).

51. 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	218,300,773	190,430,766	215,915,614	187,723,147
Other business	1,256,806	939,071	1,408,358	1,094,214
Total	219,557,579	191,369,837	217,323,972	188,817,361

(2) 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 RMB11,569,655,000 (for the year ended 31 December 2015: RMB18,922,718,000), accounting for 5.27% of the total operating revenue of the Group (for the year ended 31 December 2015: 8.71%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	3,712,452	1.70
Party 2	2,631,051	1.20
Party 3	1,802,860	0.82
Party 4	1,722,720	0.78
Party 5	1,700,572	0.77
Total	11,569,655	5.27

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Taxes and levies

All amounts in RMB'000

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

According to the "Provisional Regulations of the People's Republic of China on Value Added Tax", "Notice on the Pilot Project of replacing business tax with value-added tax" (Caishui [2016]36) and other related regulations, to further standardize the value added tax accounting and financial statements related items, the Ministry of Finance formulated the "Provisions on the accounting treatment of VAT" (Caikuai [2016]22) (hereinafter referred to as the "Regulations") in 2016. As mentioned in note VI, the Group paid value added tax instead of business tax since 1 May 2016. In accordance with the requirements of the Group, the companies comprising the Group shall carry out the accounting calculation of the value-added tax for their businesses, and carry out the relevant items of the financial statements in accordance with the provisions.

53. Selling expenses

All amounts in RMB'000

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

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

54. Administrative expenses

All amounts in RMB'000

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

The administrative expenses for the current year include audit fees of RMB38,306,000 (for the year ended 31 December 2015: RMB36,127,000), among which audit fees for internal control for the current year amounted to RMB2,700,000 (for the year ended 31 December 2015: RMB3,000,000).

55. Financial expenses

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

56. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	3,389,780	2,303,482
Including: Accounts receivable bad debts (Note VII4(3))	2,701,199	1,719,472
Other receivables bad debts (Note VII8(3))	597,165	550,979
2. Impairment of inventories (Note VII9(2))	590,020	749,067
3. Impairment of available-for-sale financial assets (Note VII12(4))	4,458	4,730
4. Impairment of fixed assets (Note VII17(8))	34,888	834,698
5. Impairment of construction in progress (Note VII18(3))	3,520	7,988
6. Impairment of intangible assets (Note VII20(2))	4,783	598,893
7. Impairment of goodwill (Note VII21(2))	675	70,148
8. Others	(5,067)	528
Total	4,023,057	4,569,534

57. Gains/(Losses) from changes in fair values

All amounts in RMB'000

Sources	Amount for the current year	Amount for the prior year
Gains(losses) arising on changes in fair value of financial assets designated as at FVTPL	(111)	2,426
Losses arising on changes in fair value of derivative financial liabilities	(3,104)	(14,339)
Losses arising on changes in fair value of derivative financial assets	-	(18,532)
Total	(3,215)	(30,445)

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Investment income

All amounts in RMB'000

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

59. Non-operating income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current year
Total gains on disposal of non-current assets	134,321	226,649	134,321
Including: Gains on disposals of fixed assets	126,268	206,895	126,268
Gains on disposals of intangible assets	7,495	9,392	7,495
Income from penalty	130,178	9,333	130,178
Gains on inventory taking	10	1,057	10
Government grants (a)	707,110	676,858	707,110
Approved unpayable balances	27,431	80,119	27,431
Others	307,660	381,795	307,660
Total	1,306,710	1,375,811	1,306,710

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Non-operating income (Continued)

(a) Government grants recognized in profit or loss

All amounts in RMB'000

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

60. Non-operating expenses

All amounts in RMB'000

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Income tax expense

(1) Income tax expense

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Current year tax expense	2,400,380	2,757,040
Deferred tax expenses	<u>(722,256)</u>	<u>(562,648)</u>
Total	<u><u>1,678,124</u></u>	<u><u>2,194,392</u></u>

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

All amounts in RMB'000

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

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

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

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	(4,938)	(418,332)
Less: Income tax effects on re-measurement of defined benefit obligations	2,008	(5,830)
Subtotal	(6,946)	(412,502)
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	(41,875)	33,312
Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current year	3,705	3,318
Less: Income tax effects on available-for-sale financial assets	(11,143)	6,551
Subtotal	(34,437)	23,443
2. Exchange differences on translating foreign operations	73,948	7,398
Amount transferred to profit or loss for the current year on disposal of foreign operations	-	-
Less: Income tax effects on the exchange differences on translating foreign operations	(4,684)	(14,668)
Subtotal	78,632	22,066
Total	37,249	(366,993)

63. 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	1,509,104	695,858
Interest income	514,056	563,627
Recovery of receivables	26,140	147,520
Government grants received	599,632	468,820
Petty cash funds returned by employees	7,088	6,073
Others	531,845	214,509
Total	3,187,865	2,096,407

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Notes to items in the cash flow statements (Continued)

(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	4,159,793	2,740,753
Research and development expenses	2,129,891	1,635,466
Payments for retirement benefits	490,676	508,198
Travelling expenses	471,749	447,507
Office expenses	678,024	675,973
Repairment and maintenance expenses	73,085	110,106
Advertising and sales service expenses	423,245	229,400
Settlements for payables	537,276	476,292
Conference expenses and association fees	11,685	12,282
Others	1,633,116	1,322,263
Total	10,608,540	8,158,240

(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	244,294	166,787
Cash receipts from asset-related government grants	129,049	41,392
Total	373,343	208,179

(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	389,273	1,385,438
Total	389,273	1,385,438

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Notes to items in the cash flow statements (Continued)

(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	1,157,151	156,025
Settlements of finance lease obligations	399,117	102,876
Transactions with non-controlling interests	—	13,908
Total	1,556,268	272,809

64. 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	5,969,647	4,948,744
Add: Provision for impairment losses of assets	4,023,057	4,569,534
Depreciation of fixed assets and amortization of investment properties	2,610,694	2,657,716
Amortization of intangible assets	365,272	346,559
Amortization of long-term prepayments	77,373	63,356
Gains on disposals of fixed assets, intangible assets and other long-term assets	(84,968)	(179,788)
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	90	98
Losses on changes in fair values	3,215	30,445
Financial expenses	2,764,613	3,670,607
(Gains)losses arising from investments	(410,385)	24,804
Increase in deferred tax assets	(616,166)	(438,371)
Decrease in deferred tax liabilities	(106,090)	(124,277)
Increase in inventories	(7,046,061)	(9,387,675)
Increase in receivables from operating activities	(12,572,332)	(8,811,113)
Increase in payables from operating activities	23,580,590	18,076,890
Net cash flows from operating activities	18,558,549	15,357,382

FINANCIAL STATEMENTS

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

64. Supplementary information of the cash flow statements (Continued)

(1) Supplementary information of the cash flow statements (Continued)

Supplementary information	Amount for the current year	Amount for the prior year
2. Significant non-cash investing and financing activities: None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	38,711,911	28,736,378
Less: Opening balance of cash	28,736,378	28,571,177
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	9,975,533	165,201

(2) 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	42,372
Including: Zhongye Tap Water (Zhumadian) Co., Ltd.	-
Wuhan MCC Xin'ao Property Management Co., Ltd.	-
Wuan Huaye Cement Co., Ltd.	42,372
Less: Cash and cash equivalents held by subsidiaries and business units	9,225
Including: Zhongye Tap Water (Zhumadian) Co., Ltd.	7,113
Wuhan MCC Xin'ao Property Management Co., Ltd.	2,112
Wuan Huaye Cement Co., Ltd.	-
Add: Cash and cash equivalents received from disposal of subsidiaries in the previous year	-
Net cash receipts from disposal of subsidiaries	33,147

(3) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	38,711,911	28,736,378
Including: Cash on hand	24,201	24,418
Bank deposits without restriction	36,613,768	26,671,366
Other cash and bank balances without restriction	2,073,942	2,040,594
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	38,711,911	28,736,378
Including: Cash and cash equivalents of the Company or within the Group with restriction	-	-

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For the year ended 31 December 2016

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Assets with title restrictions

All amounts in RMB'000

Items	Closing book value	Reasons
Cash and bank balances	95,700	Pledge
Cash and bank balances	6,055,779	Freeze/Control
Bills receivable	241,140	Pledge
Bills receivable	2,205,887	Endorsed or discounted
Accounts receivable	1,365,710	Pledge
Inventories	9,460,784	Mortgage
Investment properties	890,575	Mortgage
Fixed assets	476,644	Mortgage
Fixed assets	221,974	Others – Freeze
Intangible assets	593,348	Mortgage
Intangible assets	88,941	Others – Freeze
Total	21,696,482	/

66. 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			4,658,765
Including: USD	544,127	6.9370	3,774,606
EUR	8,020	7.3068	58,600
AUD	54,054	5.0157	271,118
HKD	37,268	0.8945	33,336
RMB	29,642	1.0000	29,642
Others	/	/	491,463
Interests receivable			202,298
Including: USD	24,494	6.9370	169,916
AUD	3,767	5.0157	18,895
Others	/	/	13,487
Accounts receivable			1,298,558
Including: USD	125,352	6.9370	869,570
AUD	1,000	5.0157	5,015
Others	/	/	423,973

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VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

66. Foreign currencies denominated items (Continued)

(1) Foreign currencies denominated items (Continued)

Items	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
Other receivables			2,092,299
Including: USD	213,889	6.9370	1,483,745
AUD	77,828	5.0157	390,364
RMB	93,050	1.0000	93,050
Others	/	/	125,140
Short-term borrowings			1,177,418
Including: USD	130,372	6.9370	904,390
Others	/	/	273,028
Accounts payable			630,709
Including: USD	10,069	6.9370	69,848
EUR	3,263	7.3068	23,844
AUD	565	5.0157	2,835
RMB	147,800	1.0000	147,800
Others	/	/	386,382
Other payables			9,664,155
Including: USD	316,394	6.9370	2,194,827
AUD	28,104	5.0157	140,961
RMB	6,975,690	1.0000	6,975,690
Others	/	/	352,677
Long-term borrowings			3,434,369
Including: USD	492,000	6.9370	3,413,004
Others	/	/	21,365

(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.

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VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

1. 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 corresponding subsidiaries at the date of disposal	Proportion of the interests retained on disposal date (%)	Carrying amount of the interests retained on disposal date	Fair value of the interests retained on disposal date	Amounts recognized in profit or loss from re-measuring interests in accordance 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
Tangshan Caofeidian Real Estate Co., Ltd.	49,645	60.00	Transfer agreement	2016-06-22	Actual date of losing control	29,668	-	-	-	-	Not Applicable	-
Wuhan MCC Xin'ao Property Management Co., Ltd.	Not Applicable	60.00	Involving new shareholders	2016-07-27	Actual date of losing control	Not Applicable	40.00	3,225	3,567	342	Assessment method: future income method Key assumptions: future cash flows and discount rate	-
Zhongye Tap Water (Zhumadian) Co., Ltd.	Not Applicable	Not Applicable	Lessening board seats so that losing control of the board	2016-11-29	Actual date of losing control	Not Applicable	51.00	118,173	118,173	-	The fair value of identifiable net assets from the date of purchase	-
Wuan Huaye Cement Co., Ltd.	42,372	100.00	Transfer agreement	2016-11-30	Actual date of losing control	32,214	-	-	-	-	Not Applicable	-
Total	92,017	/				61,882	/	121,398	121,740	342		

The Group achieved gains of RMB62,224,000 arising on losing control of above companies, which was presented in investment income in the consolidated financial statements (Note VII58).

2. Other reasons of the change for scope of consolidation

Except for the establishment MCC Huanan Construction and Investment Co., Ltd., there were no significant changes of the scope of consolidation for the current year compared with prior year.

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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	
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	87.81	–	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	91.26	–	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
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
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

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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	
Central Research Institute of Building and Construction Co., Ltd.	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
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	92.61	-	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

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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	
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
MCC Huanan Construction and Investment Co., Ltd.	China	Shenzhen	Engineering contracting	51.00	-	Established through investments

Notes: Except for the Company, MCC Holding (Hong Kong) Corporation Limited, Central Research Institute of Building and Construction Co., Ltd., 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.
- (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.

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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 (Continued)
- (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
Tianjin Mingjin MCC Real Estate Co., Ltd.	80.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	70.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX3(1))
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))
Guizhou Ziwang Highway Construction Co., Ltd.	59.92	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX3(1))
Guizhou Sanli Highway Construction Co., Ltd.	59.95	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX3(1))
Guizhou Sanshi Highway Construction Co., Ltd.	59.90	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Zhuhai MCC Huafumingwan real estate Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Zhongye Tap Water (Zhumadian) Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture

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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 First Metallurgical Group Co., Ltd.	6.93	13,532	3,534	1,541,735
WISDRI Engineering & Research Incorporation Limited	17.44	110,524	20,269	1,415,451
China MCC 20 Group Co., Ltd.	31.00	411,847	292,380	1,298,282
MCC Capital Engineering & Research Incorporation Limited	13.00	27,065	12,027	848,915
China MCC 17 Group Co., Ltd.	27.61	122,510	32,830	827,432

(a) Except for the situation disclosed in Note IX1(1)(b), there is no significant difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current year.

(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	assets	liabilities	liabilities	liabilities	assets	assets	assets	liabilities	liabilities	liabilities
China First Metallurgical Group Co., Ltd.	17,490,057	2,697,879	20,187,936	14,731,968	1,233,595	15,955,563	16,198,023	2,732,895	18,930,918	13,595,104	1,393,164	14,968,268
WISDRI Engineering & Research Incorporation Limited	11,595,617	3,328,468	14,924,085	9,172,945	142,760	9,315,705	11,479,308	2,648,257	14,127,565	8,718,070	160,003	8,878,073
China MCC 20 Group Co., Ltd.	26,225,421	1,910,217	28,135,638	23,263,035	693,466	23,956,501	23,681,319	1,816,382	25,497,701	19,464,182	1,686,933	21,151,115
MCC Capital Engineering & Research Incorporation Limited	11,195,892	3,343,671	14,539,563	10,144,447	58,541	10,202,988	11,616,694	3,665,826	15,302,520	11,044,939	12,744	11,057,683
China MCC 17 Group Co., Ltd.	12,396,742	1,643,304	14,040,046	10,209,622	844,839	11,054,461	10,735,663	1,087,258	11,822,921	8,587,175	568,169	9,155,344

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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 (Continued)

All amounts in RMB'000

Company name	Amount for the current year				Amount for the prior year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
China First Metallurgical Group Co., Ltd.	15,261,669	313,842	270,091	474,577	15,628,459	372,060	402,157	1,187,030
WISDRI Engineering & Research Incorporation Limited	7,508,272	463,446	463,485	903,476	8,129,216	457,979	458,009	315,461
China MCC 20 Group Co., Ltd.	23,058,879	655,917	680,984	1,885,824	28,680,618	693,034	652,480	(154,106)
MCC Capital Engineering & Research Incorporation Limited	7,035,741	137,531	137,407	863,143	8,039,430	158,844	158,794	1,502,193
China MCC 17 Group Co., Ltd.	13,588,967	432,705	425,998	759,456	13,503,176	363,948	354,471	314,944

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 made further capital contribution to Zhong Ye Chang Tian International Engineering Co., Ltd. in the form of its entire long-term equity investment in a non-wholly owned subsidiary, Changsha Metallurgical Design & Research Institute Co., Ltd. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in Zhong Ye Chang Tian International Engineering Co., Ltd. by the Group increased from 91.66% to 92.61%. The transaction increased the Group's non-controlling interest of RMB2,198,000, and reduced the Group's capital surplus of RMB2,198,000.
- (b) For the current year, the Group made further capital contribution to ACRE Coking & Refractory Engineering Consulting Corporation in the form of its entire long-term equity investment in a non-wholly owned subsidiary, Anshan Coking and Refractory Engineering Consulting Corporation. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in ACRE Coking & Refractory Engineering Consulting Corporation by the Group increased from 86.63% to 87.81%. The transaction reduced the Group's non-controlling interest of RMB9,131,000, and increased the Group's capital surplus of RMB9,131,000.
- (c) For the current year, the Group made further capital contribution to Northern Engineering & Technology Corporation in the form of its entire long-term equity investment in a non-wholly owned subsidiary, Anshan Engineering & Research Incorporation of Metallurgical Industry. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in Northern Engineering & Technology Corporation by the Group increased from 90.76% to 91.26%. The transaction reduced the Group's non-controlling interest of RMB189,000, and increased the Group's capital surplus of RMB189,000.

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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
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Integrated pipe network	70.00	–	Equity method
Beijing New Century Hotel Co., Ltd.	China	Beijing	Hotel service	60.00	–	Equity method
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.92	–	Equity method
Guizhou Sanli Highway Construction Co., Ltd.	China	Buyi and Miao Autonomous Prefecture of Qiannan	Highway investment and development	59.95	–	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

The Group has no significant interests in any single joint venture or associate above.

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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

(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
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	18.89	Assigned director to the board of directors of the entity
Changsha Happy Ocean Park Co., Ltd.	16.00	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
Changchun Runde Investment Group Limited	13.54	Assigned director to the board of directors of the entity
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	10.00	Assigned director to the board of directors of the entity

(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 Xinpu 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	
Shanghai Clear Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	
	<u>20.00</u>	

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For the year ended 31 December 2016

IX. INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates (Continued)

(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	1,320,666	619,058
The Group's share of the following items:		
– Net profit	(48,079)	(48,598)
– Other comprehensive income	–	–
– Total comprehensive income	(48,079)	(48,598)
Associates:		
Total carrying amount	3,842,819	3,295,967
The Group's share of the following items:		
– Net profit	(71,038)	(209,049)
– Other comprehensive income	–	–
– Total comprehensive income	(71,038)	(209,049)

- (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.

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X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1. Capital management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including short-term borrowings, long-term borrowings, bonds payable, short-term bonds payable and finance lease payables) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 December 2016 and 31 December 2015 are as follows:

	31 December 2016	31 December 2015
Total borrowings:		
Short-term borrowings (Note VII 25)	49,740,440	36,798,152
Short-term bonds payable (Note VII 36)	—	20,000,000
Long-term borrowings (inclusive of those due within one year) (Note VII 37)	30,203,376	28,689,325
Bonds payable (inclusive of those due within one year) (Note VII 38)	14,998,725	14,231,923
Finance lease payables (inclusive of those due within one year) (Note VII 39)	543,025	710,812
Less: Cash and cash equivalents (Note VII 64(3))	38,711,911	28,736,378
Net debt	56,773,655	71,693,834
Shareholders' equity	83,107,703	71,155,024
Total capital	139,881,358	142,848,858
The gearing ratio	40.59%	50.19%

2. 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.

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For the year ended 31 December 2016

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Market risk

(a) 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 2016 are set out in Note VII66.

As at 31 December 2016, 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 2016 would have been approximately RMB333,560,000 lower/higher (as at 31 December 2015: RMB185,197,000 lower/higher).

(b) Interest rate risk

(i) 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.

(ii) 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 2016, short-term borrowings of the Group were amounting to RMB49,740,440,000 (as at 31 December 2015: RMB36,798,152,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB3,663,356,000 (as at 31 December 2015: RMB5,787,492,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB13,080,119,000 (as at 31 December 2015: RMB16,674,007,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB9,845,925,000 (as at 31 December 2015: RMB6,980,319,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB18,612,701,000 (as at 31 December 2015: RMB13,858,410,000) (Notes VII25, 35, 37, 38).

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X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Market risk *(Continued)*

(b) Interest rate risk *(Continued)*

(ii) *(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 2015 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 2016 would have been RMB454,281,000 lower/higher (for the year ended 31 December 2015: approximately RMB335,907,000).

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 2016 would have been RMB78,299,000 lower/higher (for the year ended 31 December 2015: approximately RMB87,828,000).

(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 holds 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 receivable, 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.

In addition, external guarantees incurred by the Group may also result in financial losses. The amount of external guarantees refer to note XIII2(1)(b).

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X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

2. Financial instruments and risk management (Continued)

(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.

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 2016 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 asset					
Cash and bank balances	44,863,390	–	–	–	44,863,390
Bills receivable	16,026,955	–	–	–	16,026,955
Accounts receivable	69,544,642	–	–	–	69,544,642
Interests receivable	26,666	–	–	–	26,666
Dividends receivable	46,727	–	–	–	46,727
Other receivables	31,052,714	–	–	–	31,052,714
Non-current assets					
within a year	3,745,636	–	–	–	3,745,636
Long-term receivables	114,508	3,714,425	6,706,811	1,047,696	11,583,440
Total	165,421,238	3,714,425	6,706,811	1,047,696	176,890,170
Financial liabilities					
Short-term borrowings	50,858,734	–	–	–	50,858,734
Derivative financial liabilities	17,443	–	–	–	17,443
Bills payable	17,638,291	–	–	–	17,638,291
Accounts payable	111,999,308	–	–	–	111,999,308
Employee benefits payable	1,915,566	–	–	–	1,915,566
Interests payable	493,527	–	–	–	493,527
Dividends payable	827,426	–	–	–	827,426
Other payables	18,681,125	–	–	–	18,681,125
Non-current liabilities					
within a year	14,462,998	–	–	–	14,462,998
Long-term borrowings	1,110,919	11,495,657	12,020,703	4,755,735	29,383,014
Bonds payable	356,194	2,968,006	4,163,945	–	7,488,145
Long-term payables	171	319,216	158,773	402,762	880,922
External guarantee (excluding real estate bank mortgage guarantee)	153,000	–	–	–	153,000
Total	218,514,702	14,782,879	16,343,421	5,158,497	254,799,499

(4) Transfer of financial assets

Details are set out in Note VII3(3), VII4(6), VII8(7), VII14(2).

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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	1,044	–	–	1,044
1. Held-for-trading financial assets	1,044	–	–	1,044
(1) Equity instruments	1,044	–	–	1,044
(II) Available-for-sale financial assets	436,594	1,094,900	–	1,531,494
(1) Equity instruments	436,594	–	–	436,594
(2) Investment in private funds	–	1,094,900	–	1,094,900
Total assets that are measured at fair value on a recurring basis	437,638	1,094,900	–	1,532,538
(III) Derivative financial liabilities	–	17,443	–	17,443
Total liabilities that are measured at fair value on a recurring basis	–	17,443	–	17,443

2. The basis of market prices determined on level 1 of the fair value hierarchy

The fair values of 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 method	Forward rate
Available-for-sale financial assets – private funds	Discounted cash flow method	Average yield rate of similar products of the same term

4. There was no transfer between any levels 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 measured at fair value on a non-recurring basis

Receivables, long-term receivables, non-current assets due within one year, short-term borrowings, payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are measured at fair value on a non-recurring basis.

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XI. FAIR VALUE MEASUREMENTS (Continued)

6. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis (Continued)

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 method.

Except for the items listed in the table below, the Group considers that the fair value 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 2016	Fair value as at 31 December 2016			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:	18,612,701	–	19,303,235	–	19,303,235
1. Long-term borrowings at fixed interest rate	11,958,701	–	12,148,784	–	12,148,784
2. Bonds payable at fixed interest rate	6,654,000	–	7,154,451	–	7,154,451

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

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

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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 interest in the Company (%)	Percentage of voting rights in the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering contracting, property development, equipment manufacture, resource development and others	8,538,556	59.18	59.18

Refer to Note VII(44), all formalities required by China Securities Depository and Clearing Corporation Limited in relation to the stock registration of the A shares newly issued under the non-public issuance had been fulfilled by 6 January 2017. The percentage of ownership interest and voting rights of CMGC in the Company decreased to 59.18%.

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.

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
Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	Joint venture
Beijing Tiancheng Guyun Property Management Co., Ltd.	Joint venture
Dianjiang County Wenbi Construction Co., Ltd.	Joint venture
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Guizhou Sanli Highway Construction Co., Ltd.	Joint venture
Guizhou Sanshi Highway Construction Co., Ltd.	Joint venture
Guizhou Ziwang Highway Construction Co., Ltd.	Joint venture
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Joint venture
Meizhou MCC City Construction and Development Co., Ltd.	Joint venture
Meizhou MCC Road Construction and Development Co., Ltd.	Joint venture

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XII. RELATED PARTIES AND TRANSACTIONS (Continued)

3. Principal joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	Joint venture
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	Joint venture
Zhuhai Kaduhaijun Real Estate Development Co., Ltd. (Note)	Joint venture
Zhongye Tap Water (Zhumadian) Co., Ltd.	Joint venture
SL-GV-MCC PTE LTD.	Associate
Wuhan MCC Lutheran Brothers Sun Donglin Engineering Technology Co., Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Beijing Zhongye HengSheng Real Estate Co., Ltd.	Associate
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Associate
Fuzhou MCC Infrastructure Investment Co., Ltd.	Associate
Harbin Shuangqi Environmental Resources Co., Ltd.	Associate
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Associate
Huai'an Huaguang Construction Investment Co., Ltd.	Associate
Maanshan Jiahe Real Estate Co., Ltd.	Associate
Maanshan MCC High-tech Construction Co., Ltd.	Associate
Maanshan MCC Economic Development Company Ltd.	Associate
Maanshan Golden Tourism Investment Co., Ltd.	Associate
Maanshan MCC Putang Construction Co., Ltd.	Associate
Mudanjiang MCC Real Estate Co., Ltd.	Associate
Nanjing Zhongkang Construction and Development Co., Ltd.	Associate
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Associate
Puyang MCC Longhu Construction and Development Co., Ltd.	Associate
Renqiu MCC Infrastructure Construction Co., Ltd.	Associate
Shanghai Libo Labor Service Co., Ltd.	Associate
Shanghai United Automobile Road Construction Development Co., Ltd.	Associate
Shanghai Tongjibao Construction Robot Co., Ltd. (Original name: Shanghai Tongji Baoye Construction Robot Co., Ltd.)	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Shanghai Zhihu Real Estate Co., Ltd.	Associate
Shanghai MCC Jiahe Real Estate Co., Ltd.	Associate
Shanghai MCC Xiangqi Investment Co., Ltd.	Associate
CERI Yingkou Equipment Technology Co., Ltd.	Associate
Sichuan HangYe Industrial Co., Ltd.	Associate
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Associate
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Associate
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Tianjin MCC Jincheng Real Estate Co., Ltd.	Associate
Tianjin MCC Jinyu Real Estate Co., Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate

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XII. RELATED PARTIES AND TRANSACTIONS (Continued)

3. Principal joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associate
Wuhan Hanwei Refining Engineering Co., Ltd.	Associate
Wuhan Zhonghe Engineering Technique Co., Ltd.	Associate
Wuhan MCC Xin'ao Property Management Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
MCC Suzhou SUMA Construction Development Co., Ltd.	Associate
CERI Yingkou Construction Development Co., Ltd.	Associate
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Associate
Zhejiang MCC Investment Management Co., Ltd.	Associate
MCC-Huafa Integrated Pipe Network Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate
WISDRI (Xinyu) Cold Rolling New Material Technology Co., Ltd.	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	Associate
Chongqing Wansheng Xihua Road Construction Co., Ltd.	Associate
Chongqing Xinlian Steel Equipment Technique Co., Ltd.	Associate

Note: Zhuhai Kaduhaijun Real Estate Development Co., Ltd. has been disposed in January 2016.

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:

Name of other related parties	Relationship with the Group
MCC Huludao Nonferrous Metals Group Co., Ltd.	Under common control by CMGC
MCC Asset Management Co., Ltd.	Under common control by CMGC
Subsidiaries of MCC Huludao Nonferrous Metals Group Co., Ltd.: Huludao Zinc Industry Co., Ltd.	Under common control by CMGC
Subsidiaries of MCC Asset Management Co., Ltd.: Beijing Dongxing Metallurgical New-Tech & Development Corp. Beijing China Metallurgical Construction Taxi Company Shanghai MCC Hospital	Under common control by CMGC Under common control by CMGC Under common control by CMGC
Subsidiaries of Beijing Dongxing Metallurgical New-Tech & Development Corp.: Handan Huaye Property Services Co., Ltd. Handan Huaye New Type Building Material Co., Ltd. Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd. Hainan Luda Real Estate Development Co., Ltd. Chengdu Hongqiang Property Management Co., Ltd.	Under common control by CMGC Under common control by CMGC Under common control by CMGC Under common control by CMGC Under common control by CMGC

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For the year ended 31 December 2016

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 by CMGC:		4,023	43,905
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of goods and receiving services	3,669	3,339
Beijing China Metallurgical Construction Taxi Company	Receiving services	354	398
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of intangible assets	–	40,168
With joint ventures and associates:		1,160,662	143,184
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Purchase of goods and receiving services	1,007,914	37,511
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods and receiving services	60,993	25,396
CERI Yingkou Equipment Technology Co., Ltd.	Purchase of goods	42,215	45,185
Wuhan MCC Lutheran Brothers Sun Donglin Engineering Technology Co., Ltd.	Receiving services	37,689	–
Shanghai Tongjibao Construction Robot Co., Ltd.	Purchase of goods and receiving services	3,429	1,300
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods and receiving services	3,407	4,129
Shanghai MCC Xiangqi Investment Co., Ltd.	Purchase of goods	3,158	–
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods and receiving services	1,457	385
Wuhan Zhonghe Engineering Technique Co., Ltd.	Receiving services	400	78
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Purchase of goods and receiving services	–	29,200
Total		<u>1,164,685</u>	<u>187,089</u>

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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 by CMGC:		12,035	5,419
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	11,356	5,205
Huludao Zinc Industry Co., Ltd.	Providing services	679	–
Shanghai MCC Hospital	Providing services	–	214
With joint ventures and associates:		2,612,475	1,515,379
Wuhan Zhong Yi Investment Construction Company Ltd.	Providing services	458,122	981,904
Suining Kaihong Construction Development Co., Ltd.	Providing services	416,006	–
Guizhou Ziwang Highway Construction Co., Ltd.	Providing services	319,314	–
Guizhou Sanshi Highway Construction Co., Ltd.	Providing services	311,229	–
Chongqing Wansheng Xihua Road Construction Co., Ltd.	Providing services	244,975	–
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Providing services	225,925	–
Si County MCC construction Investment Co., Ltd.	Providing services	220,309	–
Maanshan Golden Tourism Investment Co., Ltd.	Providing services	119,468	–
Nanjing Zhongkang Construction and Development Co., Ltd.	Providing services	82,164	–
Fuzhou MCC Infrastructure Investment Co., Ltd.	Providing services	59,720	–
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	Providing services	55,379	–
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Providing services	21,878	2,790
Tianjin Tuanbo Urban Development Co., Ltd.	Providing services	19,377	29,057
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Providing services	10,824	–
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Providing services	9,741	36,532
MCC Suzhou SUMA Construction Development Co., Ltd.	Providing services	9,680	262,133
CERI Yingkou Equipment Technology Co., Ltd.	Selling goods	9,594	3,799
Tianjin MCC Xinhua Real Estate Co., Ltd.	Providing services	6,300	45,515
Harbin Shuangqi Environmental Resources Co., Ltd.	Selling goods	5,028	–

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For the year ended 31 December 2016

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 (Continued)

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Shanghai Tongjibao Construction Robot Co., Ltd.	Providing services	3,669	–
Maanshan MCC Economic Development Company Ltd.	Providing services	2,732	14,584
Tianjin MCC Jincheng Real Estate Co., Ltd.	Providing services	1,041	–
Tianjin MCC Heyuan Real Estate Co., Ltd.	Providing services	–	76,534
Baotou MCC Real Estate Co., Ltd.	Providing services	–	21,977
Wuhan Hanwei Refining Engineering Co., Ltd.	Selling goods	–	21,307
Chongqing Xinlian Steel Equipment Technique Co., Ltd.	Providing services	–	8,250
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Selling goods	–	3,909
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Providing services	–	3,557
SL-GV-MCC PTE LTD.	Providing services	–	3,041
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Providing services	–	490
Total		2,624,510	1,520,798

(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	2,760	213
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	55	105
Total		2,815	318

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For the year ended 31 December 2016

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(2) Lease (Continued)

(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	38,404	39,737
Beijing Dongxing Metallurgical New-Tech & Development Corp. (Note)	Buildings and structures	10,000	10,776
MCC Asset Management Co., Ltd. (Note)	Buildings and structures	62	22
Total		<u>48,466</u>	<u>50,535</u>

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

(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.	90,000	2009-06-18	2017-12-10	No
CERI Yingkou Equipment Technology Co., Ltd.	63,000	2010-02-02	2017-12-02	No

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For the year ended 31 December 2016

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(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	1,438,446	2015-05-21	2017-05-21	No
China Metallurgical Group Corporation	485,590	2016-02-28	2017-02-28	No

(4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Loans from related parties:				
None				
Loans to related parties:				
Wuhan Zhong Yi Investment Construction Company Ltd.	613,500	2016-01-01	No fixed date	General loan
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	58,005	2016-01-01	2017-12-31	General loan
Hebei MCC Mingrun Real Estate Development Co., Ltd.	900,000	2016-01-26	2017-01-25	Entrusted loan
Tianjin MCC Jinyu Real Estate Co., Ltd.	85,300	2016-04-01	2017-03-31	General loan
Shanghai Zhihu Real Estate Co., Ltd.	100,000	2016-06-01	2016-09-20	General loan
Wuhan Zhong Yi Investment Construction Company Ltd.	700,000	2016-07-01	No fixed date	General loan
Hebei MCC Mingrun Real Estate Development Co., Ltd.	180,000	2016-08-10	2017-08-09	Entrusted loan
CERI Yingkou Equipment Technology Co., Ltd.	250,000	2016-09-28	2021-09-27	General loan
CERI Yingkou Equipment Technology Co., Ltd.	149,600	2016-10-09	2021-10-08	General loan
Guangzhou Zhongye Minghui Real Estate Co., Ltd.	1,600,000	2016-10-13	2017-10-12	Entrusted loan
Chongqing Beimeng Project Management Limited Liability Company	175,290	2016-11-30	2024-11-30	General loan
Renqiu MCC Infrastructure Construction Co., Ltd.	22,000	2016-12-19	2017-12-19	General loan
Tianjin Zhongji Equipment Manufacture Co., Ltd.	2,780	2016-12-30	2017-12-30	General loan
Total	4,836,475			

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.35% to 10%.

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For the year ended 31 December 2016

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel

Key management 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	4,060	3,138
Pension scheme contributions	446	465
Discretionary bonus	2,617	3,446
Total	7,123	7,049

(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	2,538	2,354
Pension scheme contributions	240	280
Discretionary bonus	1,462	2,160
Total	4,240	4,794

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For the year ended 31 December 2016

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 2016 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	185	23	–	208
Zhang Zhao Xiang (i)	176	23	–	199
Non-executive Director:				
Jing Tian Liang	129	–	–	129
Independent Non-executive Directors:				
Yu Hai Long	145	–	–	145
Ren Xu Dong	146	–	–	146
Chen Jia Qiang	146	–	–	146
Employee Representative Director:				
Lin Jin Zhen	455	47	353	855
Supervisors:				
Yan Ai Zhong (from 24/8/2016)	147	21	143	311
Li Shi Yu (up to 23/8/2016)	226	32	373	631
Peng Hai Qing	347	47	287	681
Shao Bo	436	47	306	789
Total	<u>2,538</u>	<u>240</u>	<u>1,462</u>	<u>4,240</u>

(i) Mr. Zhang Zhao Xiang is also the chief executive of the Group from January to October 2016, and his compensations disclosed above contain the compensation as the chief executive during this period.

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For the year ended 31 December 2016

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
	309	39	160	508
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 contain the compensation as the chief executive.

(ii) Mr. Li Shi Yu was one of senior executives of the Company from January to May 2015, and his compensations disclosed above contain the compensation as a senior executive.

The compensations disclosed above mainly contained remuneration for management of affairs of the Company and the Group. 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.

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(5) Compensation of key management personnel (Continued)

(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	677	1,241
Pension scheme contributions	225	132
Discretionary bonus	7,678	9,189
Total	8,580	10,562

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	4	–
HK\$2,000,001 to HK\$2,500,000	1	3
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	–	1
Total	5	5

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For the year ended 31 December 2016

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	Hebei MCC Mingrun Real Estate Development Co., Ltd.	59,347	373
Interest income	CERI Yingkou Equipment Technology Co., Ltd.	43,899	7,538
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	31,381	6,853
Interest income	Sichuan HangYe Industrial Co., Ltd.	30,957	18,778
Interest income	Guangzhou Zhongye Minghui Real Estate Co., Ltd.	20,268	–
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	14,576	14,615
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	7,906	12,166
Interest income	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	7,867	8,965
Interest income	Wuhan Zhong Yi Investment Construction Company Ltd.	6,701	6,702
Interest income	Shanghai Zhihu Real Estate Co., Ltd.	6,436	–
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	5,765	5,748
Interest income	Tianjin MCC Jinyu Real Estate Co., Ltd.	4,225	–
Interest income	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	3,245	–
Interest income	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	1,721	85,048
Total interest income		<u>244,294</u>	<u>166,786</u>
Interest expenses	China Metallurgical Group Corporation	21,890	26,995
Total interest expenses		<u>21,890</u>	<u>26,995</u>

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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	Hebei MCC Mingrun Real Estate Development Co., Ltd.	200,157	-	-	-
Accounts receivable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	148,238	42,489	151,274	61,008
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	144,889	277	127,552	693
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	130,570	8,489	161,605	550
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	112,354	4,003	80,476	3,114
Accounts receivable	Guizhou Sanshi Highway Construction Co., Ltd.	73,646	3,198	-	-
Accounts receivable	CERI Yingkou Equipment Technology Co., Ltd.	62,352	12,370	81,629	11,456
Accounts receivable	Si County MCC construction Investment Co., Ltd.	54,369	-	-	-
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	48,231	10,931	50,422	4,048
Accounts receivable	Fuzhou MCC Infrastructure Investment Co., Ltd.	33,336	-	-	-
Accounts receivable	Guizhou Ziwang Highway Construction Co., Ltd.	28,310	-	-	-
Accounts receivable	Tianjin MCC Xinhua Real Estate Co., Ltd.	24,125	2,413	77,025	3,851
Accounts receivable	Shanghai United Automobile Road Construction Development Co., Ltd.	22,735	11,282	22,735	6,307
Accounts receivable	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	14,407	-	28,218	-
Accounts receivable	Nanjing Zhongkang Construction and Development Co., Ltd.	13,078	-	-	-
Accounts receivable	Chongqing MCC 17 Group Construction Engineering Co., Ltd.	11,584	-	-	-
Accounts receivable	Harbin Shuangqi Environmental Resources Co., Ltd.	10,924	-	-	-
Accounts receivable	Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	9,712	486	-	-
Accounts receivable	Maanshan Golden Tourism Investment Co., Ltd.	8,087	-	-	-
Accounts receivable	Shanghai Tongjibao Construction Robot Co., Ltd.	2,299	115	-	-
Accounts receivable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	375	22	75	4
Accounts receivable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	250	-	-	-
Accounts receivable	MCC Suzhou SUMA Construction Development Co., Ltd.	60	-	6,860	-
Accounts receivable	Wuhan Hanwei Refining Engineering Co., Ltd.	-	-	21,307	1,451
Accounts receivable	Chongqing Xinlian Steel Equipment Technique Co., Ltd.	-	-	8,168	418
Accounts receivable	SL-GV-MCC PTE LTD.	-	-	4,673	-
Accounts receivable	MCC Huludao Nonferrous Metals Group Co., Ltd.	-	-	804	804
Total		1,154,088	96,075	822,823	93,704

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For the year ended 31 December 2016

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	Guangzhou Zhongye Minghui Real Estate Co., Ltd.	1,550,547	-	-	-
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,397,232	-	1,020,909	-
Other receivables	CERI Yingkou Equipment Technology Co., Ltd.	1,238,725	371,617	854,826	191,799
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	477,633	-	441,566	-
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,942	202,406	415,803	119,325
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	205,580	57,939	197,713	19,329
Other receivables	Guizhou Ziwang Highway Construction Co., Ltd.	170,000	-	-	-
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	128,151	-	110,259	-
Other receivables	Tianjin MCC Jinyu Real Estate Co., Ltd.	94,169	4,708	-	-
Other receivables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	92,135	-	83,218	5
Other receivables	Mudanjiang MCC Real Estate Co., Ltd.	77,528	-	90,750	-
Other receivables	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	69,153	-	64,507	-
Other receivables	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	61,250	-	42,684	-
Other receivables	Tianjin MCC Xinhua Real Estate Co., Ltd.	60,623	19,847	73,697	12,283
Other receivables	Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	57,570	2,879	-	-
Other receivables	SL-GV-MCC PTE LTD.	38,391	-	36,695	-
Other receivables	Maanshan MCC High-tech Construction Co., Ltd.	22,080	-	-	-
Other receivables	Rengju MCC Infrastructure Construction Co., Ltd.	22,000	1,100	-	-
Other receivables	MCC Suzhou SUMA Construction Development Co., Ltd.	21,356	-	8,525	-
Other receivables	Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	14,258	713	-	-
Other receivables	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	12,475	11,166	16,384	8,016
Other receivables	Beijing Tiancheng Guyun Property Management Co., Ltd.	5,959	-	-	-
Other receivables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	2,780	139	-	-
Other receivables	Wuhan MCC Xin'ao Property Management Co., Ltd.	2,657	-	-	-
Other receivables	Shanghai MCC Jiahe Real Estate Co., Ltd.	2,607	-	-	-
Other receivables	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	1,938	-	28,423	-
Other receivables	Beijing Zhongye HengSheng Real Estate Co., Ltd.	1,545	-	921	-
Other receivables	Meizhou MCC Road Construction and Development Co., Ltd.	1,092	109	-	-
Other receivables	MCC-Huafa Integrated Pipe Network Co., Ltd.	1,000	-	500	-
Other receivables	Shanghai Libo Labor Service Co., Ltd.	897	262	-	-
Other receivables	Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	842	-	-	-
Other receivables	Shanghai United Automobile Road Construction Development Co., Ltd.	803	188	3,199	242
Other receivables	Chongqing Xinlian Steel Equipment Technique Co., Ltd.	594	105	-	-
Other receivables	Maanshan MCC Economic Development Company Ltd.	299	-	-	-
Other receivables	Meizhou MCC City Construction and Development Co., Ltd.	178	9	-	-
Other receivables	Wuhan Hanwei Refining Engineering Co., Ltd.	176	93	-	-
Other receivables	WISDRI (Xinyu) Cold Rolling New Material Technology Co., Ltd.	110	38	-	-
Other receivables	Maanshan MCC Putang Construction Co., Ltd.	19	-	-	-

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For the year ended 31 December 2016

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
Other receivables	Fuzhou MCC Infrastructure Investment Co., Ltd.	3	-	-	-
Other receivables	Zhuhai Kaduhajun Real Estate Development Co., Ltd.	-	-	936,629	-
Other receivables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	-	-	927,375	-
Other receivables	Sichuan HangYe Industrial Co., Ltd.	-	-	484,350	29,220
Other receivables	Shanghai Yuepu South Concrete Co., Ltd.	-	-	81,841	51,593
Other receivables	Dianjiang County Wenbi Construction Co., Ltd.	-	-	50,000	-
Other receivables	Shanghai Zhihu Real Estate Co., Ltd.	-	-	142	-
Total		6,250,297	673,318	5,970,916	431,812
Prepayments	CERI Yingkou Equipment Technology Co., Ltd.	208,709	-	216,210	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	27,492	-	28,862	-
Prepayments	Wuhan Hanwei Refining Engineering Co., Ltd.	23,497	-	5,092	-
Prepayments	Tianjin SERI Machinery Equipment Corporation Ltd.	5,771	-	102	-
Prepayments	Huludao Zinc Industry Co., Ltd.	2,916	-	-	-
Prepayments	Shanghai Tongjibao Construction Robot Co., Ltd.	-	-	180	-
Total		268,385	-	250,446	-
Dividends receivable	Tianjin Tuanbo Urban Development Co., Ltd.	18,000	-	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	-
Total		35,097	-	37,097	-
Long-term receivables	Chongqing Beimeng Project Management Limited Liability Company	175,290	-	-	-
Total		175,290	-	-	-
Non-current assets due within one year	CERI Yingkou Equipment Technology Co., Ltd.	250,000	-	500,000	-
Total		250,000	-	500,000	-

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For the year ended 31 December 2016

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	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	272,868	37,511
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	31,164	37,810
Accounts payable	CERI Yingkou Equipment Technology Co., Ltd.	19,065	25,919
Accounts payable	Tianjin SERI Machinery Equipment Corporation Ltd.	5,188	11,115
Accounts payable	Shanghai Tongjibao Construction Robot Co., Ltd.	2,743	760
Accounts payable	Wuhan Zhonghe Engineering Technique Co., Ltd.	903	843
Accounts payable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	37	37
Accounts payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	-	23,370
		<u>331,968</u>	<u>137,365</u>
Total			
Other payables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	704,888	-
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	China Metallurgical Group Corporation	109,328	102,698
Other payables	Meizhou MCC City Construction and Development Co., Ltd.	40,003	-
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Corp.	35,820	38,021
Other payables	Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	32,015	-
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	23,512	20,853
Other payable	Zhongye Tap Water (Zhumadian) Co., Ltd.	16,431	-
Other payable	Puyang MCC Longhu Construction and Development Co., Ltd.	8,857	-
Other payable	MCC Asset Management Co., Ltd.	4,629	3,690
Other payables	CERI Yingkou Equipment Technology Co., Ltd.	3,190	3,190
Other payables	Shanghai Libo Labor Service Co., Ltd.	2,466	-
Other payables	Handan City Huaye Property Service Co., Ltd.	1,596	2,164
Other payables	Maanshan MCC Economic Development Company Ltd.	900	900
Other payables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	63	750
Other payables	Zhejiang MCC Investment Management Co., Ltd.	10	-
Other payables	Wuhan Hanwei Refining Engineering Co., Ltd.	9	-
Other payables	Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	3	-
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	-	91,803
Other payables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	-	49,713
Other payables	Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	-	5,891
Other payables	Hainan Luda Real Estate Development Co., Ltd.	-	4,994
Other payables	Handan MCC New type Materials Co., Ltd.	-	402
		<u>1,352,191</u>	<u>693,540</u>
Total			

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XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Receipts in advance	Huai'an Huaguang Construction Investment Co., Ltd.	37,439	–
Receipts in advance	Suining Kaihong Construction Development Co., Ltd.	31,630	–
Receipts in advance	Meizhou MCC Road Construction and Development Co., Ltd.	29,252	–
Receipts in advance	CERI Yingkou Construction Development Co., Ltd.	13,100	–
Receipts in advance	CERI Yingkou Equipment Technology Co., Ltd.	2,415	7,369
Receipts in advance	Guizhou Sanli Highway Construction Co., Ltd.	1,694	–
Receipts in advance	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	938	–
Receipts in advance	Tianjin MCC Heyuan Real Estate Co., Ltd.	243	243
Receipts in advance	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	200	–
Receipts in advance	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	72	72
Receipts in advance	Tianjin Tuanbo Urban Development Co., Ltd.	–	16,500
Receipts in advance	Huludao Zinc Industry Co., Ltd.	–	270
Total		116,983	24,454
Dividends payable	Beijing China Metallurgical Construction Taxi Company	24	17
Total		24	17
Interests payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	–	6,186
Total		–	6,186
Non-current liabilities due in one year	China Metallurgical Group Corporation	300,000	78,980
Total		300,000	78,980
Long-term payable	China Metallurgical Group Corporation	78,980	300,000
Total		78,980	300,000

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For the year ended 31 December 2016

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	China Metallurgical Group Corporation	59,040	964
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	14,882	3,823
Total		73,922	4,787

8. Other Disclosures

As stated in Note III 1, the Strategic Restructuring between CMGC and CMC is in progress. According to <Guidelines for the implementation of related party transactions of Listed Companies in Shanghai Stock Exchange> Article 11(1), CMC has become the Company's related party.

CMC and its subsidiaries entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

Name of Companies	Relationship with CMC
Changsha Mining Research Institute Co., Ltd.	Subsidiary
Minmetals Yingkou Medium Plate Co., Ltd.	Subsidiary
Minmetals Wuxi Logistics Park Co., Ltd.	Subsidiary
Minmetals Copper (Hunan) Company Limited	Subsidiary
Minmetals Condo (shanghai) Construction Co., Ltd.	Subsidiary
Minmetals Lanzhou Logistics Co., Ltd.	Subsidiary
Minmetals Hanxing Mining Co., Ltd.	Subsidiary
Minmetals International Trust Co., Ltd.	Subsidiary
China Minmetals Non-ferrous Metals Co., Ltd.	Subsidiary
Minmetals steel Xi'an Co., Ltd.	Subsidiary
Minmetals Steel Tianjin Co., Ltd.	Subsidiary
Minmetals Steel Shenyang Co., Ltd.	Subsidiary
Minmetals Steel Shanghai Co., Ltd.	Subsidiary
Minmetals Steel Xiamen Co., Ltd.	Subsidiary
Minmetals Steel Qingdao Co., Ltd.	Subsidiary
Minmetals Steel Lanzhou Co., Ltd.	Subsidiary
Minmetals Steel Hangzhou Co., Ltd.	Subsidiary
Minmetals Steel Harbin Co., Ltd.	Subsidiary
Minmetals Steel Guangzhou Co., Ltd.	Subsidiary
Minmetals Steel Chengdu Co., Ltd.	Subsidiary
Minmetals Steel Beijing Co., Ltd.	Subsidiary
Minmetals Steel Wuhan Limited Company	Subsidiary
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Subsidiary
Hunan Nonferrous Heavy Machinery Co., Ltd.	Subsidiary
Hunan Nonferrous Xintian Ridge Tungsten Co., Ltd.	Subsidiary
Anhui Development Mining Co., Ltd.	Subsidiary

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For the year ended 31 December 2016

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

Transactions with CMC for the current year and amounts due from/due to CMC at the end of the reporting period are disclosed as follows:

(1) Transactions with CMC

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	123,406
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	108,169
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	95,407
Minmetals Steel Xiamen Co., Ltd.	Purchase of goods	53,548
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	47,244
Minmetals Steel Qingdao Co., Ltd.	Purchase of goods	46,404
Minmetals Steel Wuhan Limited Company	Purchase of goods	31,176
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	30,433
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	19,308
Minmetals Steel Xi'an Co., Ltd.	Purchase of goods	14,876
Minmetals Steel Harbin Co., Ltd.	Purchase of goods	9,663
Minmetals Condo (Shanghai) Construction Co., Ltd.	Receiving services	6,279
Minmetals Steel Shenyang Co., Ltd.	Purchase of goods	5,750
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Receiving services	4,500
Minmetals Steel Hangzhou Co., Ltd.	Purchase of goods	2,025
Minmetals Yingkou Medium Plate Co., Ltd.	Purchase of goods	204
Changsha Mining Research Institute Co., Ltd.	Receiving services	200
Hunan Nonferrous Heavy Machinery Co., Ltd.	Purchase of goods	8
Total		598,600

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XII. RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

(1) Transactions with CMC (Continued)

(b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period
Minmetals Copper (Hunan) Company Limited	Providing services	243,141
China Minmetals Non-ferrous Metals Co., Ltd.	Selling goods	21,784
Minmetals Yingkou Medium Plate Co., Ltd.	Selling goods/ providing services	17,750
Hunan Nonferrous Xintian Ridge Tungsten Co., Ltd.	Providing services	7,888
Minmetals Hanxing Mining Co., Ltd.	Providing services	1,285
Anhui Development Mining Co., Ltd.	Providing services	692
Minmetals Wuxi Logistics Park Co., Ltd.	Selling goods	377
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Selling goods	274
Total		293,191

(2) Amounts due from/due to CMC

(a) Receivables

All amounts in RMB'000

Items	Related parties	Closing book value	Provision for bad debts
Accounts Receivable	Minmetals Copper (Hunan) Company Limited	97,870	-
Accounts Receivable	Minmetals Yingkou Medium Plate Co., Ltd.	30,056	620
Accounts Receivable	Minmetals Hanxing Mining Co., Ltd.	8,940	-
Accounts Receivable	Anhui Development Mining Co., Ltd.	1,396	49
Accounts Receivable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	667	-
Total		138,929	669
Other Receivables	Minmetals International Trust Co., Ltd.	5,000	-
Other Receivables	Minmetals Yingkou Medium Plate Co., Ltd.	1,000	-
Total		6,000	-
Prepayments	Minmetals Steel Wuhan Limited Company	366	-
Prepayments	Minmetals Yingkou Medium Plate Co., Ltd.	7	-
Total		373	-

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For the year ended 31 December 2016

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

(2) Amounts due from/due to CMC (Continued)

(b) Payables

All amounts in RMB'000

Items	Related parties	Closing book value
Accounts Payable	Minmetals Steel Chengdu Co., Ltd.	75,582
Accounts Payable	Minmetals Steel Tianjin Co., Ltd.	42,619
Accounts Payable	Minmetals Steel Qingdao Co., Ltd.	42,528
Accounts Payable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	36,758
Accounts Payable	Minmetals Steel Lanzhou Co., Ltd.	28,601
Accounts Payable	Minmetals Steel Guangzhou Co., Ltd.	20,853
Accounts Payable	Minmetals Steel Shanghai Co., Ltd.	12,289
Accounts Payable	Minmetals Steel Wuhan Limited Company	11,814
Accounts Payable	Minmetals Steel Xiamen Co., Ltd.	8,050
Accounts Payable	Minmetals Steel Harbin Co., Ltd.	7,029
Accounts Payable	Minmetals Steel Shenyang Co., Ltd.	6,245
Accounts Payable	Minmetals Steel Xi'an Co., Ltd.	3,994
Accounts Payable	Minmetals Steel Beijing Co., Ltd.	3,667
Accounts Payable	Minmetals Steel Hangzhou Co., Ltd.	1,780
Accounts Payable	Hunan Nonferrous Heavy Machinery Co., Ltd.	358
Accounts Payable	Minmetals Yingkou Medium Plate Co., Ltd.	37
Total		302,204
Other Payables	Minmetals Steel Chengdu Co., Ltd.	2,000
Other Payables	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	500
Other Payables	Minmetals Steel Xi'an Co., Ltd.	200
Other Payables	Minmetals Steel Tianjin Co., Ltd.	200
Other Payables	Minmetals Steel Shanghai Co., Ltd.	200
Other Payables	Minmetals Steel Hangzhou Co., Ltd.	200
Other Payables	Minmetals Steel Lanzhou Co., Ltd.	100
Other Payables	Minmetals Steel Shenyang Co., Ltd.	20
Other Payables	Minmetals Steel Xiamen Co., Ltd.	20
Total		3,440

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For the year ended 31 December 2016

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	24,122,343	24,841,576
Intangible assets	4,299,281	4,423,266
Total	28,421,624	29,264,842

(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	23,611	6,784
1 to 2 years	42,164	5,012
2 to 3 years	2,531	2,974
Over 3 years	30,478	30,671
Total	98,784	45,441

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) Pending litigation or arbitration

As at 31 December 2016, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB1,875,002,000.

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 2016, management has made provision for pending lawsuits of RMB23,234,000, details of which are set out in Note VII42.

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For the year ended 31 December 2016

XIII. COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies (Continued)

(1) Significant contingencies at the balance sheet date (Continued)

(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	153,000
Mortgage guarantees (Note)					6,045,905

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.

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.

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XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Appropriation of profit after the balance sheet date

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

2. Other events after the balance sheet date

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

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

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 satisfied all of the following conditions:

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

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

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

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

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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 2016 and as at 31 December 2016

All amounts in RMB'000

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

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For the year ended 31 December 2016

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 2015 and as at 31 December 2015

All amounts in RMB'000

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

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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	207,127,940	201,181,659
Other countries/regions	12,429,639	16,142,313
Total	219,557,579	217,323,972

All amounts in RMB'000

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

(b) The dependency on major customers

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

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	302,774,536	275,558,793
Less: Current liabilities	256,023,377	235,474,624
Net current assets	46,751,159	40,084,169

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XV. OTHER SIGNIFICANT ITEMS (Continued)

2. Net current assets and total assets less current liabilities (Continued)

(2) Total assets less current liabilities

All amounts in RMB'000

	Closing balance	Opening balance
Total Assets	377,491,604	343,762,819
Less: Current liabilities	256,023,377	235,474,624
Total assets less current liabilities	121,468,227	108,288,195

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

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

All amounts in thousand shares

	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	19,110,000	19,110,000
Add: Weighted average number of ordinary shares issued during the year	8,818	-
Less: Weighted average number of ordinary shares repurchased during the year	-	-
Number of ordinary shares outstanding at the end of the year	19,118,818	19,110,000

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XV. OTHER SIGNIFICANT ITEMS (Continued)

3. Earnings per share (Continued)

(3) Earnings per share

All amounts in RMB

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.25	0.24
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.25	0.24
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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:	190	107
RMB	169	35
USD	3	34
Others	18	38
Bank deposits:	7,691,912	2,727,040
RMB	7,431,892	2,278,821
USD	259,344	400,732
HKD	174	163
Others	502	47,324
Other cash and bank:	11,875	527
Others	11,875	527
Total	7,703,977	2,727,674

As at 31 December 2016, restricted cash and bank balances were RMB11,875,000, which was mainly frozen deposits (as at 31 December 2015: RMB527,000, which was all guarantee deposits).

2. Accounts receivable

(1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	463,485	151,693
1 to 2 years	–	40,369
2 to 3 years	40,369	5,613
3 to 4 years	5,961	37,893
4 to 5 years	40,481	114,525
Over 5 years	398,044	267,604
Total book value	948,340	617,697
Less: provisions for bad debts	124,917	124,812
Carrying amount	823,423	492,885

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(1) Aging analysis of accounts receivable (Continued)

- (a) Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions. The age of accounts receivable is calculated based on the date of issuing billing of construction service or date of revenue recognition.
- (b) In the current year, the book value of accounts receivable increased RMB18,851,000 due to the exchange fluctuations

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount
Individually significant and subject to provision individually	-	-	-	-	-	-	-	-	-	-
Subject to provision by portfolios of credit risk characteristics	941,542	/	118,119	/	823,423	610,899	/	118,014	/	492,885
Group1 (a)	118,382	12.48	118,119	99.78	263	118,382	19.17	118,014	99.69	368
Group2	823,160	86.80	-	-	823,160	492,517	79.73	-	-	492,517
Accounts receivable which are individually insignificant but subject to provision individually	6,798	0.72	6,798	100.00	-	6,798	1.10	6,798	100.00	-
Total	948,340	/	124,917	/	823,423	617,697	/	124,812	/	492,885

(a) 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	Provision for bad debts	Proportion of provision (%)	Book value	Provision for bad debts	Proportion of provision (%)
Within 1 year	-	-	-	-	-	-
1 to 2 years	-	-	-	-	-	-
2 to 3 years	-	-	-	525	157	30.00
3 to 4 years	525	262	50.00	-	-	-
4 to 5 years	-	-	-	-	-	-
Over 5 years	117,857	117,857	100.00	117,857	117,857	100.00
Total	118,382	118,119	/	118,382	118,014	/

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Accounts receivable (Continued)

(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.

(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	Third Party	463,485	48.87	–
Party 2	Subsidiary	294,927	31.10	–
Party 3	Third Party	118,382	12.48	118,119
Party 4	Third Party	46,454	4.90	–
Party 5	Subsidiary	18,294	1.93	–
Total	/	941,542	99.28	118,119

(6) As at 31 December 2016, the Company had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2015: nil).

3. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	2,339,371	1,880,024
Less: Provision for bad debts	339,318	325,609
Total	2,000,053	1,554,415

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	<u>2,100,649</u>	<u>2,166,640</u>
Total	<u><u>2,100,649</u></u>	<u><u>2,166,640</u></u>

(2) Dividends receivable aged over 1 year

All amounts in RMB'000

The name of investee	Closing balance	Reasons for not yet received	Impairment required
China 22MCC Group Co., Ltd.	244,950	Announced but not paid	No
CISDI Group Co., Ltd.	236,656	Announced but not paid	No
MCC Communication Construction Group Co., Ltd.	182,141	Announced but not paid	No
MCC TianGong Group Corporation Limited	129,683	Announced but not paid	No
WISDRI Engineering & Research Incorporation Limited	93,069	Announced but not paid	No
Huatian Engineering & Technology Corporation, MCC	92,167	Announced but not paid	No
China MCC 17 Group Co., Ltd.	54,379	Announced but not paid	No
China ENFI Engineering Co., Ltd.	37,405	Announced but not paid	No
Northern Engineering & Technology Corporation, MCC	13,876	Announced but not paid	No
MCC Overseas Ltd.	13,134	Announced but not paid	No
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	Announced but not paid	No
Total	<u><u>1,103,257</u></u> /		/

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	6,477,843	3,014,436
1 to 2 years	2,763,424	18,069,543
2 to 3 years	12,821,424	3,827,221
3 to 4 years	3,387,791	4,031,675
4 to 5 years	4,031,675	5,500,551
Over 5 years	2,988,105	356,433
	32,470,262	34,799,859
Total book value	32,470,262	34,799,859
Less: provisions for bad debts	6,286,682	6,169,892
Carrying amount	26,183,580	28,629,967

(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)	9,324,652	28.72	6,234,787	66.86	3,089,865	9,179,500	26.38	6,117,997	66.65	3,061,503
Subject to provision by portfolios of credit risk characteristics	23,093,715	/	-	/	23,093,715	25,568,464	/	-	/	25,568,464
Group 1	-	-	-	-	-	-	-	-	-	-
Group 2	23,093,715	71.12	-	-	23,093,715	25,568,464	73.47	-	-	25,568,464
Other receivables which are individually insignificant but subject to provision individually	51,895	0.16	51,895	100.00	-	51,895	0.15	51,895	100.00	-
Total	32,470,262	/	6,286,682	/	26,183,580	34,799,859	/	6,169,892	/	28,629,967

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

(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)	Relationship with the Company	Book value	Closing balance		Reasons
			Provision for bad debts	Proportion of provision (%)	
Party 1	Subsidiary	6,808,920	3,719,055	54.62	Discounted amount of future cash flows is less than the original book value.
Party 2	Subsidiary	2,515,732	2,515,732	100.00	
Total	/	9,324,652	6,234,787	/	/

(3) Provision for bad debts for the current year was RMB116,790,000, 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.

(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	32,417,169	34,747,386
Guarantees and deposits	51,937	51,920
Others	1,156	553
Total	32,470,262	34,799,859

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. 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 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	Subsidiary	Advance Money/ Internal loan	13,838,535	Within 3 years	42.62	-
Party 2	Subsidiary	Advance Money/ Internal loan	6,808,920	Within 5 years	20.97	3,719,055
Party 3	Subsidiary	Advance Money/ Internal loan	2,766,510	Within 4 years	8.52	-
Party 4	Subsidiary	Advance Money/ Internal loan	2,515,732	Within 6 years	7.75	2,515,732
Party 5	Subsidiary	Internal loan	967,200	Within 3 years	2.98	-
Total	/	/	26,896,897	/	82.84	6,234,787

(7) As at 31 December 2016, the Company had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2015: nil).

6. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Discount rate interval
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Receivables from subsidiaries of the Company	4,195,045	150,471	4,044,574	5,538,269	141,828	5,396,441	/
Others	2,037	-	2,037	2,037	-	2,037	/
Total	4,197,082	150,471	4,046,611	5,540,306	141,828	5,398,478	/
Less: Long term receivables due within one year	1,577,037	-	1,577,037	2,806,017	-	2,806,017	/
Long term receivables due after one year	2,620,045	150,471	2,469,574	2,734,289	141,828	2,592,461	/

As at 31 December 2016, due to exchange realignment, the carrying amount of long-term receivable and the provision for bad debts increased by RMB8,643,000 (as at 31 December 2015: decreased by RMB8,694,000).

As at 31 December 2016, the Company had no derecognized long-term receivable due to the transfer of substantially all the risks and rewards of ownership of the long-term receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2015: nil).

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Long-term equity investments

All amounts in RMB'000

Items	Book value	Closing balance		Book value	Opening balance	
		Provision for impairment	Carrying amount		Provision for impairment	Carrying amount
Subsidiaries	79,249,042	175,034	79,074,008	74,516,738	175,034	74,341,704
Joint ventures and associates	356,249	113,146	243,103	960,617	113,146	847,471
Total	<u>79,605,291</u>	<u>288,180</u>	<u>79,317,111</u>	<u>75,477,355</u>	<u>288,180</u>	<u>75,189,175</u>

(1) Subsidiaries

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment		Closing Balance net of provision
					losses for the current year	impairment provision at the end of the year	
ACRE Coking & Refractory Engineering Consulting Corporation, MCC(a)	1,801,938	96,608	-	1,898,546	-	-	1,898,546
Northern Engineering & Technology Corporation, MCC(b)	756,885	69,386	-	826,271	-	-	826,271
China MCC 3 Group Co., Ltd.	900,096	-	-	900,096	-	-	900,096
Shen Kan Engineering & Technology Corporation, MCC	184,972	50,000	-	234,972	-	-	234,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	3,594,355	365,000	-	3,959,355	-	-	3,959,355
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	232,180	-	1,583,970	-	-	1,583,970
MCC Tongsin Resources Ltd.	3,462,899	-	-	3,462,899	-	-	3,462,899
MCC-JJ 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	528,222	-	4,442,739	-	-	4,442,739

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For the year ended 31 December 2016

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
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited	2,015,650	246,334	-	2,261,984	-	-	2,261,984
China 22MCC Group Co., Ltd.	3,407,199	-	-	3,407,199	-	-	3,407,199
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.	2,103,939	150,000	-	2,253,939	-	-	2,253,939
China Huaye Group Co., Ltd.	2,257,137	154,900	-	2,412,037	-	-	2,412,037
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.	2,094,741	956,226	-	3,050,967	-	-	3,050,967
China Metallurgical Construction Engineering Group Co., Ltd.	1,185,910	400,000	-	1,585,910	-	-	1,585,910
China MCC 19 Group Co., Ltd.	2,304,357	150,000	-	2,454,357	-	-	2,454,357
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	783,442	-	4,570,953	-	-	4,570,953
Huatian Engineering & Technology Corporation, MCC (c)	1,382,421	774,227	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,663,743	-	-	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
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. (d)	824,010	167,120	-	991,130	-	-	991,130
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	223,777	10,000	-	233,777	-	-	233,777

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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
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	-	-	305,191
MCC Inner Mongolia Construction Investment Co., Ltd.	-	20,000	-	20,000	-	-	20,000
MCC Hainan Investment & Development Co., Ltd.	-	24,000	-	24,000	-	-	24,000
Anshan Coking and Refractory Engineering Consulting Corporation (a)	96,608	-	96,608	-	-	-	-
Anshan Engineering & Research Incorporation of Metallurgical Industry (b)	69,386	-	69,386	-	-	-	-
BERIS Group Corporation (c)	774,227	-	774,227	-	-	-	-
Changsha Metallurgical Design & Research Institute Co., Ltd. (d)	167,120	-	167,120	-	-	-	-
Indirect holding subsidiaries	-	662,000	-	662,000	-	-	662,000
Total	74,516,738	5,839,645	1,107,341	79,249,042	-	175,034	79,074,008

(a) For the current year, the Company used its equity interest in Changsha Metallurgical Design & Research Institute Co., Ltd. as capital injection into Zhong Ye Chang Tian International Engineering Co., Ltd., both of these two companies are subsidiaries of the Company.

(b) For the current year, the Company used its equity interest in Anshan Coking and Refractory Engineering Consulting Corporation as capital injection into ACRE Coking & Refractory Engineering Consulting Corporation, both of these two companies are subsidiaries of the Company.

(c) For the current year, the Company used its equity interest in BERIS Group Corporation as capital injection into Huatian Engineering & Technology Corporation, MCC, both of these two companies are subsidiaries of the Company.

(d) For the current year, the Company used its equity interest in Anshan Engineering & Research Incorporation of Metallurgical Industry. as capital injection into Northern Engineering & Technology Corporation, both of these two companies are subsidiaries of the Company.

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For the year ended 31 December 2016

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	Movements during the current year							Closing balance net of provision	Impairment Provision at the end of the year
		Increasing investments	Decreasing investments	Share of (losses)/profits	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current year		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	-	100,000	-	-	-	-	-	-	100,000	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	9,605	90,000	-	(2,885)	-	-	-	-	96,720	-
MCC Jianxin Investment Fund Management Co., Ltd.	25,061	-	-	1,798	-	-	-	-	26,859	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	-	20,000	-	(476)	-	-	-	-	19,524	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	113,146
Zhongshan Finance Investment Holdings Co., Ltd.	200,643	-	(203,720)	3,077	-	-	-	-	-	-
Others	612,162	-	(612,000)	(162)	-	-	-	-	-	-
Total	847,471	210,000	(815,720)	1,352	-	-	-	-	243,103	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:	27,514,934	11,120,689
RMB	26,500,000	9,845,612
USD	741,906	900,468
Others	273,028	374,609
Total	27,514,934	11,120,689

(2) As at 31 December 2016, there were no significant short-term borrowings overdue but not yet paid.

(3) As at 31 December 2016, the weighted average interest rate of short-term borrowings was 3.85% per annum (as at 31 December 2015: 4.50% per annum).

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Other payables

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries	10,931,696	7,540,928
Other related parties within CMGC	368,471	368,471
Others	130,168	153,454
Total	11,430,335	8,062,853

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)	550,000	5,097,290
Long-term employee benefits due within one year	3,755	2,645
Long-term payable within one year	300,000	78,980
Total	853,755	5,178,915

11. Long-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Mortgaged loans (a):	800,000	1,142,460
RMB	800,000	1,142,460
Guaranteed loans (b):	100,000	180,000
RMB	100,000	180,000
Credit loans:	4,666,690	6,546,271
RMB	2,100,000	3,050,000
USD	2,566,690	3,496,271
Total	5,566,690	7,868,731
Less: Long-term borrowings due within one year (Note XVI10):	550,000	5,097,290
Including: Mortgaged loans	400,000	342,460
Guaranteed loans	100,000	80,000
Credit loans	50,000	4,674,830
Long-term borrowings due over one year	5,016,690	2,771,441

FINANCIAL STATEMENTS

For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Long-term borrowings (Continued)

- (a) As at 31 December 2016, borrowings of RMB800,000,000 (as at 31 December 2015: RMB1,142,460,000) were secured by the mortgage of inventory in an aggregate amount of RMB1,052,805,000 (as at 31 December 2015: RMB1,684,544,000) of a subsidiary of the Company, China 22 MCC Group Co., Ltd.
- (b) As at 31 December 2016, certain guaranteed loans of RMB100,000,000 (as at 31 December 2015: RMB180,000,000) were guaranteed by a subsidiary of the Company, MCC Finance Corporation Ltd.
- (c) As at 31 December 2016, the weighted average interest rate of long-term borrowings was 4.46% per annum (as at 31 December 2015: 4.60% per annum).

12. 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	1,719,540	1,450,301	1,821,330	1,756,330
Other business	–	–	250,309	118,773
Total	<u>1,719,540</u>	<u>1,450,301</u>	<u>2,071,639</u>	<u>1,875,103</u>

(2) Classified by industries

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
	Engineering contracting	1,468,474
Others	251,066	67,632
Total	<u>1,719,540</u>	<u>1,821,330</u>

(3) Classified by geographic locations

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
	China	291,497
Other countries/regions	1,428,043	1,753,698
Total	<u>1,719,540</u>	<u>1,821,330</u>

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For the year ended 31 December 2016

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Operating revenue and operating costs (Continued)

(4) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	Third Party	1,074,843	62.50
Party 2	Third Party	341,778	19.88
Party 3	Subsidiaries	251,066	14.60
Total	/	1,667,687	96.98

13. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Bad debt provision	139,247	318,703
Including: Accounts receivable bad debts	105	105
Other accounts receivables bad debts	116,790	315,710
Total	139,247	318,703

14. Investment Income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Investment incomes under cost method	4,576,570	2,226,951
Investment incomes under equity method	1,352	471
Investment income on disposal of long-term equity investments	760	-
Investment income from holding available-for-sale financial assets	363	-
Total	4,579,045	2,227,422

There is no major restriction of investment income repatriation to the Company.

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For the year ended 31 December 2016

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	4,017,794	1,693,232
Add: Provision for impairment losses of assets	139,247	318,703
Depreciation of fixed assets and amortization of investment properties	2,817	3,293
Amortization of intangible assets	2,366	2,640
Gains on disposals of fixed assets, intangible assets and other long-term assets	-	(173,453)
Losses on written-off of fixed assets	35	-
Financial expenses	433,543	307,146
Gains arising from investments	(4,579,045)	(2,227,422)
Decrease in inventories	395,724	195,081
(Increase) decrease in receivables from operating activities	(282,774)	195,814
Increase(decrease) in payables from operating activities	94,864	(182,845)
Others	-	(527)
	224,571	131,662
2. Net changes in cash and cash equivalents:		
Closing balance of cash	7,692,102	2,727,147
Less: Opening balance of cash	2,727,147	7,025,950
	4,964,955	(4,298,803)

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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	7,692,102	2,727,147
Including: Cash on hand	190	107
Bank deposits without restriction	7,691,912	2,727,040
Other cash and bank balances without restriction	–	–
II. Cash equivalents	–	–
Including: Investments in debt securities due within three months	–	–
III. Closing balance of cash and cash equivalents	7,692,102	2,727,147

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	
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
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	Shenzhen	Shenzhen	Integrated pipe network project investment and financing	40.00	–	Equity method
Beijing Jingxi Travel Industry Investment Fund (Limited Partnership) (Note IX3(1)(a)(ii))	Beijing	Beijing	Culture and tourism project investment	9.08	–	Equity method

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For the year ended 31 December 2016

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.	Receiving service	1,074,843	1,725,421
China MCC 20 Group Co., Ltd.	Receiving service	280,852	–
MCC International Incorporation Ltd.	Receiving service	11,586	–
CISDI Group Co., Ltd.	Receiving service	862	–
Central Research Institute of Building and Construction Co., Ltd.	Receiving service	343	–
Total		1,368,486	1,725,421

(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	251,066	67,632
Total		251,066	67,632

(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.	10,800,000	4,700,000
MCC Real Estate Group Co., Ltd.	4,100,000	–
Shanghai Baoye Group Corp., Ltd.	659,015	–
China Metallurgical Group Corporation	78,980	–
MCC Holding (Hong Kong) Corporation Limited	–	791,156
Total	15,637,995	5,491,156

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For the year ended 31 December 2016

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)

Related Party	Amount for the current year	Amount for the prior year
Lend to		
MCC Real Estate Group Co., Ltd.	3,180,000	3,217,780
China MCC 17 Group Co., Ltd.	2,526,000	–
China MCC 20 Group Co., Ltd.	2,474,950	450,000
China Metallurgical Construction Engineering Group Co., Ltd.	1,400,000	–
Shanghai Baoye Group Corp., Ltd.	614,630	–
Huatian Engineering & Technology Corporation, MCC	350,000	–
China Second Metallurgical Group Corporation Limited	300,000	570,000
MCC-SFRE Heavy Industry Equipment Co., Ltd.	290,520	419,150
China 22MCC Group Co., Ltd.	260,000	700,000
MCC-JJJ Mining Development Company Limited.	125,000	–
China Huaye Group Co., Ltd.	115,804	1,393,202
Beijing MCC Equipment Research & Design Corporation Ltd.	91,670	–
China ENFI Engineering Co., Ltd.	46,730	–
Shen Kan Engineering & Technology Corporation, MCC	35,370	–
Central Research Institute of Building and Construction Co., Ltd.	15,110	12
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	13,000	114,068
MCC Communication Construction Group Co., Ltd.	10,000	4,000,000
BERIS Group Corporation	–	675,032
MCC Northeast Construction & Development Co., Ltd.	–	200,000
MCC TianGong Group Corporation Limited	–	150,000
MCC Mining (Western Australia) Pty Ltd.	–	14,535
China MCC 3 Group Co., Ltd.	–	2,997
China First Metallurgical Group Co., Ltd.	–	146
Total	11,848,784	11,906,922

The interest rates of certain loans from/to related parties mentioned above ranged from 0% to 6.10%.

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For the year ended 31 December 2016

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	Types of leased assets	Amount for the current year	Amount for the prior year
China Metallurgical Group Corporation	Plants and constructions	16,070	16,162
Total	/	16,070	16,162

(d) Guarantees with related parties

(i) Grant guarantees

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	3,468,500	3 years	No	2014-08-28	2017-08-28
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Borrowings	2,348,000	24 years	No	2008-01-08	2032-01-07
MCC Ramu NiCo Ltd.	Borrowings	1,033,613	3 years	No	2016-06-24	2018-07-24
CERI Yantai Real Estate Co., Ltd.	Borrowings	1,000,000	3 years	No	2016-01-27	2019-01-27
Tianjin MCC Mingtai Real Estate Co., Ltd.	Borrowings	1,000,000	3 years	No	2016-04-01	2019-03-31
MCC Holding (Hong Kong) Corporation Limited	Borrowings	453,333	1 year	No	2016-08-31	2017-08-30
Huatian Engineering & Technology Corporation, MCC	Borrowings	300,000	1 year	No	2016-09-21	2017-09-20
MCC Ramu NiCo Ltd.	Borrowings	216,434	9 years	No	2008-03-26	2017-04-12
MCC Holding (Hong Kong) Corporation Limited	Borrowings	138,740	2 year	No	2016-12-15	2018-12-15
MCC-JJJ Mining Development Company Limited	Borrowings	100,000	9 years	No	2008-03-26	2017-04-12
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Borrowings	84,000	5 year	No	2012-07-12	2017-03-30
MCC Malaysia Overseas Ltd.	Borrowings	55,860	4 years	No	2016-01-01	2019-09-15
Hong Kong Nan Hua International Engineering Ltd.	Borrowings	10,688	1 year	No	2016-10-26	2017-10-25
Total	/	10,209,168	/	/	/	/

(ii) Guarantees be granted

Details are set out in Note XVI1(b).

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For the year ended 31 December 2016

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.	735,169	1,639,248
China 22MCC Group Co., Ltd.	194,143	188,146
MCC-JJJ Mining Development Company Limited	99,164	97,865
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	50,264	51,291
MCC-SFRE Heavy Industry Equipment Co., Ltd.	43,752	30,145
MCC Communication Construction Group Co., Ltd.	35,681	46,985
Huatian Engineering & Technology Corporation, MCC	33,320	17,167
China Huaye Group Co., Ltd.	27,855	25,435
Central Research Institute of Building and Construction Co., Ltd.	18,998	22,045
Shanghai Baoye Group Corp., Ltd.	16,371	-
China MCC International Economic and Trade Co., Ltd.	13,592	13,554
MCC Finance Corporation Ltd.	6,558	2,475
China MCC 17 Group Co., Ltd.	4,766	2,855
China MCC 20 Group Co., Ltd.	4,102	85,969
China MCC 3 Group Co., Ltd.	3,876	12,740
China ENFI Engineering Co., Ltd.	2,159	27,025
Beijing MCC Equipment Research & Design Corporation Ltd.	1,727	509
Shen Kan Engineering & Technology Corporation, MCC	732	-
China Metallurgical Construction Engineering Group Co., Ltd.	161	7,438
BERIS Group Corporation	-	48,234
China Second Metallurgical Group Corporation Limited	-	14,462
China First Metallurgical Group Co., Ltd.	-	13,457
MCC TianGong Group Corporation Limited	-	10,930
China MCC 19 Group Co., Ltd.	-	6,626
China MCC 5 Group Co., Ltd.	-	5,828
MCC Capital Engineering & Research Incorporation Limited	-	5,226
MCC Northeast Construction & Development Co., Ltd.	-	4,835
WISDRI Engineering & Research Incorporation Limited	-	1,511
Total	1,292,390	2,382,001

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For the year ended 31 December 2016

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)

(ii) Interest expenses

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
MCC Finance Corporation Ltd.	74,226	70,567
MCC Holding (Hong Kong) Corporation Limited	29,776	100,570
China Metallurgical Group Corporation	21,890	21,532
Shanghai Baoye Group Corp., Ltd.	11,869	–
Total	137,761	192,669

(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
Cash	MCC Finance Corporation Ltd.	6,100	/	42,259	/
Total		6,100	/	42,259	/
Dividend receivable	MCC Real Estate Group Co., Ltd.	381,332	–	222,122	–
Dividend receivable	China 22 MCC Group Co., Ltd.	286,171	–	286,166	–
Dividend receivable	MCC Communication Construction Group Co., Ltd.	252,141	–	219,366	–
Dividend receivable	MCC TianGong Group Corporation Limited	243,230	–	129,683	–
Dividend receivable	CISDI Group Co., Ltd.	236,656	–	236,656	–
Dividend receivable	WISDRI Engineering & Research Incorporation Limited	177,398	–	181,262	–
Dividend receivable	Huatian Engineering & Technology Corporation, MCC	155,631	–	35,228	–
Dividend receivable	China MCC 17 Group Co., Ltd.	129,539	–	54,379	–
Dividend receivable	China ENFI Engineering Co., Ltd.	65,823	–	110,263	–
Dividend receivable	Zhong Ye Chang Tian International Engineering Co., Ltd.	48,161	–	36,312	–

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For the year ended 31 December 2016

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)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Dividend receivable	China Second Metallurgical Group Corporation Limited	41,790	-	-	-
Dividend receivable	MCC Capital Engineering & Research Incorporation Limited	33,643	-	44,648	-
Dividend receivable	MCC Overseas Ltd.	19,814	-	13,134	-
Dividend receivable	Northern Engineering & Technology Corporation, MCC	13,876	-	13,876	-
Dividend receivable	China Metallurgical Construction Engineering Group Co., Ltd.	9,456	-	25,217	-
Dividend receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	-	5,797	-
Dividend receivable	China MCC 5 Group Co., Ltd.	191	-	-	-
Dividend receivable	MCC Finance Corporation Ltd.	-	-	232,181	-
Dividend receivable	Shanghai Baoye Group Corp., Ltd.	-	-	136,263	-
Dividend receivable	BERIS Group Corporation	-	-	92,167	-
Dividend receivable	MCC Baosteel Technology Services Co., Ltd.	-	-	44,623	-
Dividend receivable	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	-	-	37,046	-
Dividend receivable	MCC Tongsin Resources Ltd.	-	-	7,863	-
Dividend receivable	Shen Kan Engineering & Technology Corporation, MCC	-	-	2,384	-
Dividend receivable	China MCC 19 Group Co., Ltd.	-	-	4	-
Total		2,100,649	-	2,166,640	-
Accounts receivable	MCC Mining (Western Australia) Pty Ltd.	294,927	-	276,076	-
Accounts receivable	China MCC International Economic and Trade Co., Ltd.	18,294	-	18,294	-
Total		313,221	-	294,370	-
Other receivables	MCC Real Estate Group Co., Ltd.	13,838,535	-	18,075,713	-
Other receivables	MCC Mining (Western Australia) Pty Ltd.	6,808,920	3,719,055	6,778,890	3,719,055
Other receivables	China 22MCC Group Co., Ltd.	2,766,510	-	2,848,968	-
Other receivables	MCC Australia Holding Pty Ltd.	2,515,732	2,515,732	2,400,610	2,398,942
Other receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	967,200	-	682,150	-

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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)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	863,870	-	850,870	-
Other receivables	MCC Communication Construction Group Co., Ltd.	841,430	-	668,582	-
Other receivables	Shanghai Baoye Group Corp., Ltd.	696,221	-	56,607	-
Other receivables	China Huaye Group Co., Ltd.	539,733	-	425,065	-
Other receivables	MCC Holding (Hong Kong) Corporation Limited	509,260	-	-	-
Other receivables	Huajian Engineering & Technology Corporation, MCC	355,106	-	5,000	-
Other receivables	China MCC 17 Group Co., Ltd.	334,226	-	2,669	-
Other receivables	China MCC International Economic and Trade Co., Ltd.	240,831	-	240,831	-
Other receivables	Beijing MCC Equipment Research & Design Corporation Ltd.	224,633	-	144,627	-
Other receivables	MCC-JJJ Mining Development Company Limited	210,455	-	80,000	-
Other receivables	CISDI Group Co., Ltd.	200,000	-	200,000	-
Other receivables	China First Metallurgical Group Co., Ltd.	146,515	-	146,450	-
Other receivables	China MCC 20 Group Co., Ltd.	90,334	-	38,720	-
Other receivables	MCC Tongsin Resources Ltd.	66,189	-	66,187	-
Other receivables	China MCC 3 Group Co., Ltd.	56,639	-	52,871	-
Other receivables	MCC Overseas Ltd.	48,245	-	75,293	-
Other receivables	Shen Kan Engineering & Technology Corporation, MCC	35,970	-	600	-
Other receivables	MCC Baosteel Technology Services Co., Ltd.	32,477	-	32,476	-
Other receivables	MCC Capital Engineering & Research Incorporation Limited	20,000	-	20,000	-
Other receivables	China MCC 19 Group Co., Ltd.	3,656	-	1,940	-
Other receivables	China Metallurgical Construction Engineering Group Co., Ltd.	2,126	-	2,000	-
Other receivables	MCC TianGong Group Corporation Limited	1,429	-	1,248	-
Other receivables	China MCC 5 Group Co., Ltd.	496	-	45	-
Other receivables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	310	-	310	-
Other receivables	China Second Metallurgical Group Corporation Limited	121	-	-	-
Other receivables	BERIS Group Corporation	-	-	825,044	-
Other receivables	MCC International Incorporation Ltd.	-	-	23,620	-
Total		<u>32,417,169</u>	<u>6,234,787</u>	<u>34,747,386</u>	<u>6,117,997</u>

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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)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Prepayments	China MCC 20 Group Co., Ltd.	131,251	-	-	-
Prepayments	China MCC International Economic and Trade Co., Ltd.	5,120	-	5,120	-
Prepayments	Shanghai Baoye Group Corp., Ltd.	4,693	-	-	-
Prepayments	BERIS Group Corporation	-	-	4,693	-
Total		<u>141,064</u>	<u>-</u>	<u>9,813</u>	<u>-</u>
Interests receivable	MCC Real Estate Group Co., Ltd.	656,274	-	538,727	-
Interests receivable	China 22MCC Group Co., Ltd.	395,331	-	251,887	-
Interests receivable	MCC Mining (Western Australia) Pty Ltd.	386,227	-	381,944	-
Interests receivable	MCC Australia Holding Pty Ltd.	339,318	339,318	325,609	325,609
Interests receivable	China Huaye Group Co., Ltd.	205,174	-	177,319	-
Interests receivable	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	103,011	-	51,291	-
Interests receivable	MCC Tongsin Resources Ltd.	73,863	-	69,188	-
Interests receivable	China MCC International Economic and Trade Co., Ltd.	41,255	-	27,663	-
Interests receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	34,331	-	8,657	-
Interests receivable	MCC Communication Construction Group Co., Ltd.	29,692	-	27,807	-
Interests receivable	Huatian Engineering & Technology Corporation, MCC,	25,341	-	-	-
Interests receivable	Shanghai Baoye Group Corp., Ltd.	16,371	-	-	-
Interests receivable	Central Research Institute of Building and Construction Co., Ltd.	13,487	-	12,892	-
Interests receivable	China MCC 3 Group Co., Ltd.	8,440	-	4,564	-
Interests receivable	MCC Holding (Hong Kong) Corporation Limited	7,739	-	-	-
Interests receivable	MCC Overseas Ltd.	1,136	-	1,136	-
Interests receivable	MCC-JJJ Mining Development Company Limited	1,030	-	-	-
Interests receivable	Shen Kan Engineering & Technology Corporation, MCC	732	-	-	-
Interests receivable	China MCC 20 Group Co., Ltd.	619	-	1,340	-
Total		<u>2,339,371</u>	<u>339,318</u>	<u>1,880,024</u>	<u>325,609</u>

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For the year ended 31 December 2016

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)

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Long-term receivables	MCC-JJJ Mining Development Company Limited	2,310,595	-	2,212,461	-
Long-term receivables	MCC Mining (Western Australia) Pty Ltd.	150,471	150,471	141,828	141,828
Long-term receivables	China MCC International Economic and Trade Co., Ltd.	80,000	-	80,000	-
Long-term receivables	China ENFI Engineering Co., Ltd.	46,730	-	-	-
Long-term receivables	Central Research Institute of Building and Construction Co., Ltd.	15,110	-	300,000	-
Long-term receivables	Beijing MCC Equipment Research & Design Corporation Ltd.	11,670	-	-	-
Long-term receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,469	-	-	-
Total		2,620,045	150,471	2,734,289	141,828
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	Central Research Institute of Building and Construction Co., Ltd.	300,000	-	15,110	-
Non-current assets due in one year	MCC Real Estate Group Co., Ltd.	-	-	1,100,000	-
Non-current assets due in one year	China MCC 20 Group Co., Ltd.	-	-	300,000	-
Non-current assets due in one year	BERIS Group Corporation	-	-	50,000	-
Non-current assets due in one year	China ENFI Engineering Co., Ltd.	-	-	46,730	-
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	-
Total		1,575,000	-	2,803,980	-

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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.	4,950,000	1,410,000
Total		4,950,000	1,410,000
Accounts Payable	China MCC 17 Group Co., Ltd.	373,000	386,061
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	44,253
Accounts Payable	Shanghai Baoye Group Corp., Ltd.	37,625	–
Accounts Payable	MCC Overseas Ltd.	11,141	11,141
Accounts Payable	MCC Capital Engineering & Research Incorporation Limited	8,347	8,347
Accounts Payable	Zhong Ye Chang Tian International Engineering Co., Ltd.	5,832	5,832
Accounts Payable	BERIS Group Corporation	–	37,625
Accounts Payable	Beijing MCC Equipment Research & Design Corporation Ltd.	–	77
Total		677,703	690,841
Other payables	MCC Real Estate Group Co., Ltd.	4,100,000	–
Other payables	China MCC 20 Group Co., Ltd.	1,038,941	338,941
Other payables	Shanghai Baoye Group Corp., Ltd.	971,012	75,368
Other payables	MCC International Incorporation Ltd.	827,686	5,549
Other payables	China First Metallurgical Group Co., Ltd.	530,783	1,180,783

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)

Items	Related party	Closing balance	Opening balance
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	China 13th Metallurgical Construction Corporation	365,147	365,147
Other payables	China 22MCC Group Co., Ltd.	315,347	356,562
Other payables	China Second Metallurgical Group Corporation Limited	299,358	299,358
Other payables	China MCC 19 Group Co., Ltd.	293,551	394,036
Other payables	China Huaye Group Co., Ltd.	255,672	319,828
Other payables	China MCC 3 Group Co., Ltd.	227,742	240,742
Other payables	China Metallurgical Construction Engineering Group Co., Ltd.	215,821	242,798
Other payables	Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	212,660	212,660
Other payables	China MCC 5 Group Co., Ltd.	191,984	239,997
Other payables	CISDI Group Co., Ltd.	186,117	208,947
Other payables	Zhong Ye Chang Tian International Engineering Co., Ltd.	159,272	663
Other payables	Northern Engineering & Technology Corporation, MCC	106,747	2,169
Other payables	China ENFI Engineering Co., Ltd.	90,689	102,025
Other payables	Central Research Institute of Building and Construction Co., Ltd.	90,373	250,407
Other payables	Wuhan Iron and Steel Design & Research Incorporation Limited	81,732	90,702
Other payables	MCC Capital Engineering & Research Incorporation Limited	68,590	88,386
Other payables	ACRE Coking & Refractory Engineering Consulting Corporation	47,225	313,935

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)

Items	Related party	Closing balance	Opening balance
Other payables	Beijing MCC Equipment Research & Design Corporation Ltd.	37,297	41,615
Other payables	MCC Mining (Western Australia) Pty Ltd.	34,567	32,582
Other payables	Shen Kan Engineering & Technology Corporation, MCC	30,726	27,039
Other payables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	28,931	32,547
Other payables	MCC Baosteel Technology Services Co., Ltd.	26,811	41,821
Other payables	WISDRI Engineering & Research Incorporation Limited	24,034	24,101
Other payables	MCC Overseas Ltd.	21,559	21,559
Other payables	MCC Australia Holding Pty Ltd.	20,566	19,385
Other payables	China MCC 17 Group Co., Ltd.	14,436	15,366
Other payables	MCC Tongsin Resources Ltd.	9,236	9,236
Other payables	Huatian Engineering & Technology Corporation, MCC,	6,626	-
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 Holding (Hong Kong) Corporation Limited	-	1,358,284
Other payables	MCC Communication Construction Group Co., Ltd.	-	200,000
Other payables	Changsha Metallurgical Design & Research Institute Co., Ltd.	-	176,306

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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)

Items	Related party	Closing balance	Opening balance
Other payables	Anshan Engineering & Research Incorporation of Metallurgical Industry	–	115,654
Other payables	Anshan Coking and Refractory Engineering Consulting Corporation	–	49,029
Other payables	BERIS Group Corporation	–	46,943
Total		11,300,167	7,909,399
Interest payable	MCC Holding (Hong Kong) Corporation Limited	–	123,485
Total		–	123,485
Non-current liabilities due Metallurgical Group Corporation within one year		300,000	78,980
Total		300,000	78,980
Long-term payables	Metallurgical Group Corporation	78,980	300,000
Total		78,980	300,000

FINANCIAL STATEMENTS

For the year ended 31 December 2016

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	84,968
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)	707,110
Other non-operating income or expenses other than the above items	(138,568)
Change of fair value of financial instruments at FVTPL and profit or loss of disposal of financial instruments at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under the company's normal operating business	13,136
Profit or loss on disposal of long-term equity investments	478,921
Impact on income tax	(220,728)
Impact on non-controlling interests	(119,396)
Total	<u>805,443</u>

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	9.30	0.25	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	7.77	0.21	Not applicable

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

Items	2016	2015	2014	2013	2012
Operating revenue	219,557,579	217,323,972	215,785,772	202,690,241	221,119,698
Operating costs	191,369,837	188,817,361	187,884,556	175,112,261	195,173,148
Taxes and levies	3,288,123	5,597,162	5,712,644	5,723,373	6,210,830
Selling expenses	1,665,258	1,512,225	1,500,231	1,617,470	1,655,765
Administrative expenses	10,425,174	10,067,076	9,108,267	9,449,306	9,802,839
Financial expenses	2,228,707	2,526,563	4,022,637	4,459,771	4,345,260
Impairment losses of assets	4,023,057	4,569,534	3,298,384	2,288,782	15,768,210
Investment income	440,053	1,735,160	1,053,667	342,812	3,544,076
Operating profit	6,994,261	5,938,766	5,290,247	4,421,445	-8,292,055
Non-operating income	1,306,710	1,375,811	1,699,134	1,046,500	950,485
Non-operating expenses	653,200	171,441	284,076	171,432	517,267
Total profit	7,647,771	7,143,136	6,705,305	5,296,513	-7,858,837
Income tax	1,678,124	2,194,392	2,363,950	2,218,717	2,489,202
Net profit	5,969,647	4,948,744	4,341,355	3,077,796	-10,348,039
Net profit attributable to shareholders of the Company	5,375,858	4,801,562	3,964,938	2,980,864	-6,943,355
Profit or loss attributable to non-controlling interests	593,789	147,182	376,417	96,932	-3,404,684
Basic earnings per share	0.25	0.24	0.21	0.16	-0.36
Diluted earnings per share	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Items	As at the end of 2016	As at the end of 2015	As at the end of 2014	As at the end of 2013	As at the end of 2012
Total assets	377,491,604	343,762,819	325,978,479	322,884,439	326,226,523
Total liabilities	294,383,901	272,607,795	267,953,971	267,819,220	273,391,936
Shareholders' equity	83,107,703	71,155,024	58,024,508	55,065,219	52,834,587

DOCUMENTS FOR INSPECTION

Documents for Inspection	Financial statements signed and sealed by the legal representative, the person-in-charge of accounting and the head of the accounting firm
Documents for Inspection	The original auditor's report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
Documents for Inspection	Originals of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the Reporting Period
Documents for Inspection	The 2016 Annual report and the 2016 annual results announcement published on the Hong Kong Stock Exchange

Chairman: **Guo Wenqing**

Date of Approval from the Board: 28 March 2017

Amendment on information

Applicable Not Applicable



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