



# 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

## 2017 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. The Company convened the 36th meeting of the second session of the Board on 29 March 2018. 6 out of 7 eligible directors attended the Meeting. Jing Tianliang, a Director, did not attend the meeting due to other business engagements and authorized Yu Hailong, a Director, in writing to attend the meeting and exercise the voting right on his behalf upon consideration of the resolutions.

Position of the absent Director	Name of the absent Director	Reason for the absence of the Director	Name of the appointee
Director	Jing Tianliang	Duet to other business engagements	Yu Hailong

- III. Deloitte Touche Tohmatsu CPA LLP. issued a standard unqualified audit report for 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 the Company in the audited consolidated statement of MCC in 2017 amounted to RMB6,061,488 thousand and the undistributed profit of MCC headquarters amounted to RMB3,580,082 thousand. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute to all shareholders a cash dividend of RMB0.68 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,409,206 thousand, the remaining undistributed profit of RMB2,170,876 thousand will be used to increase investments in subsidiaries and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 23.25% of the net profit attributable to the Shareholders of the Company in the consolidated statement of MCC in 2017.

- 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

- 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.
- 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 and equipment manufacture businesses were all influenced by the policies of the industry. In recent years, the adjustments to the business fields and the regional market strategies have been guided, to a certain extent, by the restructuring and upgrade of the steel and iron industry pushed forward by the PRC's implementation of Made in China 2025, a nation strengthening strategy focusing on manufacturing industries, and implementation of "destocking", a supporting policy focusing on the property industry, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, and thereby influencing the Company's internal structure and hence influencing the Company's financial position.

- 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.*
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SSE”	the Shanghai Stock Exchange
“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
“MCC Real Estate”	MCC Real Estate Group Co., Ltd.
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of directors of Metallurgical Corporation of China Ltd.*
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director” or “Independent Non-executive Director”	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs

# 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 2017 to 31 December 2017
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“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,

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

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

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

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

Setting sail for greater achievement in a new era. In 2018, MCC will comprehensively implement the spirit of the 19th National Party Congress and adhere to the guidance of Socialism with Chinese Characteristics for a new era proposed by President Xi Jinping, and take on its mission and continue its journey. Under the guidance of the development vision of "focusing on the core business in building a better MCC", and according to the strategic positioning of "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality", MCC will develop a new style and enthusiasm to further consolidate the foundation for business promotion, creating an even stronger power of excellence and more vibrant momentum.

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

In the upcoming year, MCC, with its high spirits and confidence, will practise its motto "Make progress every day, and do not slacken the pace", do its utmost to open new doors, and create better operating results and greater value for shareholders and investors.

田文清



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

MCC was jointly established by China Metallurgical Group Corporation and Baosteel Group Corporation on 1 December 2008 and was listed on the main board of the SSE and the Hong Kong Stock Exchange on 21 September 2009 and 24 September 2009, respectively, which is one of the largest comprehensive conglomerate of engineering and construction in the PRC and the world.

At present, the A Shares of the Company have been selected to be a constituent stock of the SSE Central State-owned Enterprises Index, MSCI Index, Xiong'an New Area Index, SOE Mixed Ownership Reform Index, and Cninfo Index, etc.; while the H Shares have been selected to be a constituent stock of FTSE China 50 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

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

## II. CONTACT PERSON AND CONTACT METHOD

<b>Secretary to the Board</b>	Li Yuzhuo
<b>Joint Company secretaries</b>	Li Yuzhuo and Lai Siu Kuen
<b>Address</b>	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
<b>Telephone</b>	+86-10-59868666
<b>Facsimile</b>	+86-10-59868999
<b>E-mail</b>	ir@mccchina.com

\* For identification purposes only

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## III. BASIC INFORMATION

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

## IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

<b>Name of media of A Share information disclosure designated by the Company</b>	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
<b>Website designated by the CSRC for publication of an annual report</b>	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a>
<b>Place where an annual report of the Company is available for inspection</b>	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.
	Office address	8th Floor, Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing, PRC
	Signing auditors	Ma Yanmei, Chen Wenlong
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, PRC
	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 Jia Yuan Law Offices
	Office address	F408 Ocean Plaza, 158 Fu Xing Men Nei Avenue, Xicheng District, Beijing
Overseas legal advisor appointed by the Company	Name	Latham & Watkins LLP
	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	2017	2016	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2015
Operating revenue	243,999,864	219,557,579	11.13	217,323,972
Net profit attributable to Shareholders of the Company	6,061,488	5,375,858	12.75	4,801,562
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	5,466,980	4,570,415	19.62	3,820,734
Net cash flow generated from operating activities	18,417,847	18,558,549	-0.76	15,357,382

	At the end of 2017	At the end of 2016	Increase/ decrease at the end of the period as compared to the corresponding period of the previous year (%)	At the end of 2015
Net assets attributable to Shareholders of the Company	82,499,829	70,553,075	16.93	60,557,630
Total assets	414,565,174	377,491,604	9.82	343,762,819

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## (II) Major financial indicators

Major financial indicators	2017	2016	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2015
Basic earnings per share (RMB/Share)	<b>0.26</b>	0.25	4.00	0.24
Diluted earnings per share (RMB/Share)	<b>N/A</b>	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	<b>0.23</b>	0.21	9.52	0.19
Weighted average return on net assets (%)	<b>8.44</b>	9.30	Decreased by 0.86 percentage point	9.46
Weighted average return on net assets after deducting non-recurring profits and losses (%)	<b>7.49</b>	7.77	Decreased by 0.28 percentage point	7.45

## (III) Financial highlights

### 1. Overview

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

- Operating revenue amounted to RMB244,000 million, representing a year-on-year increase of RMB24,442 million or 11.13% from RMB219,558 million in 2016.
- Operating profit amounted to RMB8,779 million, representing a year-on-year increase of RMB1,700 million or 24.01% from RMB7,079 million in 2016.
- Net profit amounted to RMB6,712 million, representing a year-on-year increase of RMB742 million or 12.43% from RMB5,970 million in 2016.
- Net profit attributable to Shareholders of the Company amounted to RMB6,061 million, representing a year-on-year increase of RMB685 million or 12.75% from RMB5,376 million in 2016.
- Basic earnings per share amounted to RMB0.26, and the basic earnings per share in 2016 amounted to RMB0.25.

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

- As at 31 December 2017, total assets amounted to RMB414,565 million, representing an increase of RMB37,073 million or 9.82% from RMB377,492 million as at 31 December 2016.
- As at 31 December 2017, total Shareholders' equity amounted to RMB97,320 million, representing an increase of RMB14,212 million or 17.10% from RMB83,108 million as at 31 December 2016.
- Newly signed contracts amounted to RMB604,901 million, representing an increase of RMB102,497 million or 20.40% from RMB502,404 million in 2016.

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

## 2. *Revenue from Principal Business Segments*

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

### (1) **Engineering Contracting Business**

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

### (2) **Property Development Business**

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

### (3) **Equipment Manufacture Business**

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

### (4) **Resource Development Business**

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

### (5) **Other Businesses**

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

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

# 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

Unit: RMB'000

Item	Note	Amount for the current year	Amount for the prior year
<b>I. Total operating revenue</b>		<b>243,999,864</b>	219,557,579
Including: Operating revenue	VII 50	<b>243,999,864</b>	219,557,579
<b>II. Total operating costs</b>		<b>236,069,186</b>	213,000,156
Including: Operating costs	VII 50	<b>212,052,305</b>	191,369,837
Taxes and levies	VII 51	<b>2,109,021</b>	3,288,123
Selling expenses	VII 52	<b>1,961,287</b>	1,665,258
Administrative expenses	VII 53	<b>13,017,914</b>	10,425,174
Financial expenses	VII 54	<b>3,020,031</b>	2,228,707
Impairment losses of assets	VII 55	<b>3,908,628</b>	4,023,057
Add:			
Gains (losses) from changes in fair values	VII 56	<b>222</b>	-3,215
Investment income	VII 57	<b>548,870</b>	440,053
Including: Gains from investments in associates and joint ventures		<b>48,309</b>	327,590
Gains from disposal of assets	VII 58	<b>99,013</b>	84,968
Other gains	VII 59	<b>200,336</b>	-
<b>III. Operating profit</b>		<b>8,779,119</b>	7,079,229
Add: Non-operating income	VII 60	<b>438,636</b>	1,172,389
Less: Non-operating expenses	VII 61	<b>243,069</b>	603,847
<b>IV. Total profit</b>		<b>8,974,686</b>	7,647,771
Less: Income tax expenses	VII 62	<b>2,262,832</b>	1,678,124
<b>V. Net profit</b>		<b>6,711,854</b>	5,969,647
(I) As classified by continuity of operation			
Net profit from continuing operations		<b>6,711,854</b>	5,969,647
Net profit from discontinued operations		-	-
(II) As classified by vested ownership			
Profit or loss of minority shareholders		<b>650,366</b>	593,789
Net profit attributable to Shareholders of the Company		<b>6,061,488</b>	5,375,858
<b>VI. Other comprehensive income, net of income tax</b>	VII 63	<b>-173,761</b>	37,249
Other comprehensive income attributable to Shareholders of the Company, net of income tax		<b>-183,839</b>	-3,263
(I) Items that will not be reclassified subsequently to profit or loss		<b>-157,365</b>	-4,749
1. Re-measurement of defined benefit obligations		<b>-157,365</b>	-4,749
(II) Items that may be reclassified subsequently to profit or loss		<b>-26,474</b>	1,486
1. Share of other comprehensive income of investee entity to be reclassified as profit or loss under the equity method		<b>-546</b>	-

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Item	Note	Amount for the current year	Amount for the prior year
2. Gains or losses from change of fair value of available-for-sale financial assets		12,762	-33,089
3. Exchange differences on translating foreign currency statements		-38,690	34,575
Other comprehensive income attributable to non-controlling interests, net of income tax		10,078	40,512
<b>VII. Total comprehensive income</b>		<b>6,538,093</b>	6,006,896
Total comprehensive income attributable to Shareholders of the Company		5,877,649	5,372,595
Total comprehensive income attributable to non-controlling interests		660,444	634,301
<b>VIII. Earnings per share</b>	XV 3		
(I) Basic earnings per share (RMB/share)		0.26	0.25
(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 2017

*Unit: RMB'000*

	As at 31 December 2017	As at 31 December 2016
Total assets	414,565,174	377,491,604
Total liabilities	317,244,693	294,383,901
Total shareholders' equity	97,320,481	83,107,703

## 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 disclosed in financial reports under IAS and Chinese Accounting Standards for Business Enterprises

Applicable  Not Applicable

(II) Differences in net profit and net asset attributable to Shareholders of the Company disclosed in financial reports under 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



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## IX. MAJOR FINANCIAL DATA IN 2017 ON QUARTERLY BASIS

Unit: RMB'000

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

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

Unit: RMB'000

Non-recurring profit and loss items	Amount in 2017	Note (if applicable)	Amount in 2016	Amount in 2015
Profit or loss on disposal of non-current assets	99,013	Note XVII	84,968	179,788
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)	634,548	Note XVII	707,110	676,858
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	599	Note XVII	-	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.	-	-	-	-
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	-	-	-	-

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

<b>Non-recurring profit and loss items</b>	<b>Amount in 2017</b>	<i>Note (if applicable)</i>	Amount in 2016	Amount in 2015
Profit/loss from the change of fair value of financial assets held for trading and financial liabilities held for trading and investment income from the disposal of financial assets held for trading and financial liabilities held for trading and available-for-sale financial assets except for those gain/loss relating to the hedging transactions under company's normal operating business	<b>43,932</b>	Note XVII	13,136	56,681
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	-	-	-	-
Profit/loss from external entrusted loans	-	-	-	-
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 and expenses other than the above items	<b>27,713</b>	Note XVII	-138,568	257,577
Other profit or loss items that fall within the meaning of non-recurring profit and loss	<b>64,525</b>	Note XVII	478,921	107,478
Impact on non-controlling interests	<b>-99,952</b>	Note XVII	-119,396	-231,600
Impact on income tax	<b>-175,870</b>	Note XVII	-220,728	-156,101
<b>Total</b>	<b>594,508</b>	Note XVII	805,443	980,828

## XI. ITEMS MEASURED UNDER FAIR VALUE

Unit: RMB'000

<b>Item</b>	<b>Balance at the beginning of the period</b>	<b>Balance at the end of the period</b>	<b>Changes during the period</b>	<b>Impact on the profit of the current period</b>
Financial assets at fair value through profit or loss	1,044	151,451	150,407	29,825
Available-for-sale financial assets	1,531,494	2,977,360	1,445,866	54,799
Derivative financial liabilities	17,443	-	-17,443	-6,068

# REPORT OF DIRECTORS

## 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 2017, China continued to maintain a stable performance while at the same time secured progress and good prospect in its economic development. The national investment in fixed assets (excluding farmers) amounted to RMB63,168.4 billion, representing an increase of 7.2% when compared with last year.

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

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

In 2017, the global economy saw continuous recovery, while demand in major economies rebounded with improved market expectations. The Chinese government has continued to push forward “the Belt and Road”, strengthened its strategic alignment with other countries along the route, ushered in a broader room for cooperation in infrastructure construction, metallurgical engineering, equipment manufacturing and other fields, creating more market opportunities for the Company’s overseas business expansion.

#### 2. The Operating Results of the Business

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

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

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

Newly signed overseas contracts amounted to RMB57.054 billion.

# REPORT OF DIRECTORS

## The overall operating results of the engineering contracting business in 2017

Unit: RMB'000

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

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

### (1) Metallurgical Engineering Construction Business

Being a pioneer and founder of the iron and steel industry in China, the Company adheres to its position of the “national team for metallurgical construction” during the Reporting Period to deepen the development and construction of the whole-process, full-function and full-life-cycle business and service system, continuously conquer the difficulties on core technology, and propel the implementation of the top-level design plan and strategies by a national team of advisers. The Company pushed forward the integration of internal resources and professional echelon division. It is committed to creating a competent and the strongest lineup of national team for metallurgical construction, continuously increasing the competitiveness and influence of the Company in the international iron and steel engineering technology sector. The Company retained and matched the advantageous resources in accordance with the 8 major units and 19 business units in the traditional metallurgical procedures to develop the leading core technology by requiring all sections of the national team to aim for the goal of being the top of the world, put more efforts on technological research and development with respect to energy conservation and environmental protection, new material, new techniques, new equipment and other aspects, and accelerated the commercialization of the core technology and the continuous strengthening of the overall capability of the “national team” for metallurgical construction. With respect to market development, the Company seized the market opportunity of turnaround in iron and steel industry, focused on advancement, optimization and re-creation of major metallurgical industry again, focused on capacity replacement, relocation projects for urban steel plants and metallurgical energy saving and environmental protection technology transformation market, thus largely contracted all the large-scale projects of environmental protection related relocation, energy saving and emission reduction and industrial upgrading, and firmly consolidated its position of the “national team for metallurgical construction”.

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

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

# REPORT OF DIRECTORS

Unit: RMB'000

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

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

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

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
<b>Domestic Projects</b>			
1	Steel-making Engineering PC Contracting Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司煉鋼工程PC承包項目)	26.1	China 22MCC Group Co., Ltd.
2	EPC General Contracting Engineering for Coking Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司焦化項目EPC總承包工程)	26.0	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
3	Sintering Machine No. 1-4 Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司1-4號燒結機工程)	17.0	Northern Engineering & Technology Corporation, MCC
4	Equipment Supply Contract for Blast Furnaces 1#, 2#, 3# and 5# PC Contracting Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司煉鐵1#、2#、3#、5#高爐PC承包項目設備供貨合同)	16.3	MCC Capital Engineering & Research Incorporation Limited
5	Construction and Installation Contract for Blast Furnaces 1#, 2#, 3# and 4# PC Contracting Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司煉鐵1#、2#、3#、4#高爐PC承包項目建築安裝合同)	12.3	MCC Capital Engineering & Research Incorporation Limited
6	EPC Contract for Design of No. 5#, 6# Coke Oven Environmental Protection Relocation Project of Tangshan Ganglian Coking Co., Ltd. (唐山鋼聯焦化有限責任公司5#、6#焦爐環保搬遷工程設計施工總承包合同)	8.1	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
7	Heavy Repair Project for Relocation of No. 1 Furnace of Ningbo Steel in Ningbo (EPC General Contracting) (寧波寧鋼1號高爐易地大修項目(EPC 總承包))	7.0	CISDI Group Co., Ltd.
8	PC General Contracting Construction for Full Energy Recovery Construction of Clean and Environmental Friendly Coke-making in Sanming City, Fujian Province(福建三明全能量回收清潔環保型製焦工程PC總承包工程)	6.9	China First Metallurgical Group Co., Ltd.
9	400,000-ton Manganese Alloy Remote Technical Transformation Project of Suiyang Circular Economy Integration Project in Guizhou Province (貴州省綏陽循環經濟一體化項目40萬噸錳系合金異地技改工程)	5.9	MCC Capital Engineering & Research Incorporation Limited
10	Closed Transformation Project of All Gantries of Coal Fields of Shanghai Baosteel Holdings Co., Ltd. (上海寶鋼股份有限公司煤場全門架封閉改造項目)	5.5	Shanghai Baoye Group Corp., Ltd.
11	Construction of Ancillary Facility of Electromechanical Equipment for Stainless Steel Intensive Processing Engineering of Guangqing Metal Technology Co., Ltd. in Yangjiang City, Guangdong Province (廣東陽江廣青金屬科技有限公司不銹鋼深加工工程機電設備成套)	5.2	WISDRI Engineering & Research Incorporation Ltd.
12	General Contracting Contract for Ancillary and Supporting Facility of Stainless Steel Intensive Processing Technological Renovation of Guangqing Metal Technology Co., Ltd. in Yangjiang City, Guangdong Province (廣東陽江廣青金屬科技有限公司不銹鋼深加工技術改造主體配套及公輔總承包合同)	5.1	WISDRI Engineering & Research Incorporation Ltd.
13	Ancillary Active Coke Flue Gas Purification Construction for Sintering Machine No. 1-4 Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司1-4號燒結機配套活性焦煙氣淨化工程)	5.1	Northern Engineering & Technology Corporation, MCC
14	Construction of Section I of Removal from Urban Area and Technological Transformation Project on Petroleum Pipes of Dalipal Pipe Company in Cangzhou City, Hebei Province (Phase I) (河北省滄州達力普石油專用管有限公司石油管退城搬遷技改項目一期I 標段工程)	5.1	CISDI Group Co., Ltd.
15	Production line of steel rolling 3# 1,780 mm hot rolled strips and construction and installation of 2# 1,450 strip lines and 3#1,780 strip lines for joint water treatment region in Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司軋鋼3#1780mm熱軋帶鋼生產線及2#1450軋線與3#1780軋線共用水處理區域建築安裝)	5.0	Shanghai Baoye Group Corp., Ltd.

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No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
<b>Overseas Projects</b>			
1	The Ferronickel Factory Project in Amonggedo, Indonesia (印尼Amonggedo鍊鐵廠項目)	20.8	MCC Overseas Ltd.
2	Dexin Steel 2*1,780m <sup>3</sup> Furnace Project (德信2*1,780m <sup>3</sup> 高爐工程項目)	10.9	WISDRI Engineering & Research Incorporation Ltd.
3	Engineering Project of Converter, Steelmaking and Continuous Casting of Dexin Company (德信轉爐煉鋼連鑄工程項目)	9.9	WISDRI Engineering & Research Incorporation Ltd.
4	Technical Renovation Project of HBIS Group Serbia Iron & Steel Co., Ltd. (河鋼塞爾維亞有限公司技術改造項目)	7.2	China Metallurgical Construction Engineering Group Co., Ltd.
5	General Contracting Project for Steel Melting of Hoa Phat Company in Vietnam (越南和發煉鋼總包項目)	6.5	WISDRI Engineering & Research Incorporation Ltd.

## (2) Non-Steel Engineering Construction Business

### ① Fundamental Construction

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

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

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

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

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

Unit: RMB'000

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

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

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

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

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

## Overseas Projects

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

## ② Emerging Industries

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



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In the urban integrated subterranean pipeline corridor field, as the earliest constructor of the integrated subterranean pipeline corridor in the PRC, the Company is able to provide consultation, planning, survey, design, construction, supervision and operating services, with professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. In May 2017, the Company successfully held the 2017 Promotion Conference for Application of New Technology in Chinese Urban Integrated Steel Pipeline Corridor in Hengshui, Hebei and released the assembled corrugated steel pipeline corridor, a new product first invented in the PRC, and the local technical standards, which has greatly enriched the application of new materials in the integrated pipeline corridor, resolved the problem of overcapacity of steel and increased the application of steel structure products in construction and the standard of urban construction.

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

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

No.	Name of Project	Contractual	
		Amount	Party to the Contract
<i>(RMB100 million)</i>			
<b>Urban Integrated Subterranean Pipeline Corridor Projects</b>			
1	Integrated Subterranean Piping Systems of Funan New District of Hengshui City, Hebei Province (PPP Project) (河北省衡水市滄南新區綜合管廊項目) (PPP項目)	35.4	MCC TianGong Group Corporation Limited
2	EPC Contract Project of Construction of Extension Road and Integrated Piping System of Chunyu Road and Jinma Road in Kunming City (PPP Project) (昆明市春雨路及金馬路延長線道路和綜合管廊建設工程施工總承包項目) (PPP項目)	35.2	China MCC 19 Group Co., Ltd.
3	PPP Project for Integrated Subterranean Piping Systems Phase II (Cooperation Zone) of Huichun City in Jilin (PPP Project) (吉林琿春市城市地下綜合管廊二期工程(合作區) PPP項目) (PPP項目)	21.8	China MCC 20 Group Co., Ltd.
4	PPP Work (B) for Integrated Subterranean Piping Systems of Chengbei New Zone, Urumqi High-tech Zone (New District) (PPP Project) (烏魯木齊高新區(新市區)城北新區地下綜合管廊PPP工程(B包)) (PPP項目)	20.2	China MCC 17 Group Co., Ltd.
5	Construction (Phase I) Project of Urban Integrated Subterranean Piping System in Ruili City, Yunnan Province (PPP Project) (雲南省瑞麗市城市地下綜合管廊建設工程(一期)項目) (PPP項目)	18.2	MCC TianGong Group Corporation Limited
<b>Themed Park Projects</b>			
1	Theme Park Cultural Tourism Complex Project of Sunbase Commercial New Town Project in Guanshanhu District, Guiyang (貴陽市觀山湖區新恒基商業新城項目主題公園文化旅遊綜合體項目)	25.0	China First Metallurgical Group Co., Ltd.
2	Project of Huangcaozhou National Wetland Park in Luxi County, Yunnan Province (雲南瀘西黃草洲國家濕地公園項目)	19.0	China Huaye Group Co., Ltd.
3	General Contracting Project (EPC) for Construction of Sui-Tang Grand Canal World Heritage Park in Shangqiu, Henan Province (河南商丘隋唐大運河世界遺產公園建設工程總承包項目) (EPC)	10.4	Huatian Engineering & Technology Corporation, MCC
4	Construction Project for Water Park in Area F, Island 1#, Haihua Island, Hainan, China (中國海南海花島1#島F區水上樂園建設工程)	7.0	Central Research Institute of Building and Construction Co., Ltd.

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No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
<b>Sponge City Projects</b>			
1	PPP Project for Rain-sewage Separation Project of Sponge City in Siping City, Jilin Province (PPP Project) (吉林省四平市海綿城市PPP項目雨污分流(PPP項目))	13.6	MCC Communication Construction Group Co., Ltd.
2	Construction Engineering for Sponge City (Phase II) in Siping City, Jilin Province (吉林省四平市海綿城市(二期)建設工程)	11.3	MCC Communication Construction Group Co., Ltd.
3	EPC General Contracting Project for Black and Odor Water Treatment and Sponge Engineering of Downstream Yuxi River in Yunnan Province (PPP Project) (雲南省玉溪大河下游黑臭水體治理及海綿工程EPC總承包項目(PPP項目))	7.8	China First Metallurgical Group Co., Ltd.
<b>Beautiful Countryside and Smart City Projects</b>			
1	Comprehensive Construction Project of Characteristic Urban Public Services and Infrastructure in Shuitian New District, Yanjin County, Yunnan Province (Phase II) (雲南省鹽津縣水田新區特色城鎮公共服務及基礎設施綜合建設(一期)工程)	26.0	CISDI Group Co., Ltd.
2	PPP Project of Whole City Promotion of the Beautiful Countryside Construction in Jieshou City, Anhui Province (PPP Project) (安徽界首市美麗鄉村建設整市推進PPP項目(PPP項目))	15.4	China First Metallurgical Group Co., Ltd.
3	Construction Project of Beautiful Village, Integrated Transformation of Environment in Small City Town, Hospitals and Municipal Roads in Lianshi Town, Nanxun Area, Huzhou City, Zhejiang Province (浙江省湖州市南潯區練市鎮美麗鄉村建設、小城鎮環境綜合整治、醫院、市政道路項目)	15.0	China Second Metallurgical Group Corporation Limited
4	EPC Project of 19 projects including Qunxian North Street in Chengdu City, Sichuan Province etc. (四川省成都市群賢北街等19個項目設計-施工總承包項目)	11.4	China MCC 5 Group Co., Ltd.
5	Infrastructure Construction Project of Spa Town in Zhudong Economic and Technological Development Zone of Xinjiang (新疆准東經濟技術開發區溫泉小鎮基礎設施建設項目)	10.0	China Second Metallurgical Group Corporation Limited
<b>Healthcare and Special Town Projects</b>			
1	Construction Project of "Northern Medicine Valley" Unique Town in Siping City, Jilin Province (吉林省四平市「北方藥谷」特色小鎮建設項目)	15.1	MCC Communication Construction Group Co., Ltd.
2	PPP Project of Intelligent Health Care Small Town (Phase I) in Rizhao City, Shandong Province (PPP Project) (山東日照智慧康養小鎮項目(一期) PPP項目(PPP項目))	14.4	Huatian Engineering & Technology Corporation, MCC
3	Construction Project of Unique Small Town and Tourism Avenue in Pingdu City, Shandong Province (PPP Project) (山東平度市特色小鎮及旅遊大通道建設項目(PPP項目))	14.1	China First Metallurgical Group Co., Ltd.
4	Construction Project of Yunnanyi Unique Small Town in Xiangyun County, Yunnan Province (雲南祥雲縣雲南驛特色小鎮建設項目)	12.8	MCC TianGong Group Corporation Limited
5	Infrastructure and Public Welfare Project in Shangjie District, Zhengzhou City (PPP Project) (鄭州市上街區基礎設施及公益事業項目(PPP項目))	8.5	China First Metallurgical Group Co., Ltd.

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No.	Name of Project	Contractual	
		Amount	Party to the Contract
<i>(RMB100 million)</i>			
<b>Water Environment Management Projects</b>			
1	Shenzhen Buji River Basin Comprehensive Treatment Construction Contract (深圳布吉河流域綜合治理工程合同)	13.6	Huatan Engineering & Technology Corporation, MCC
2	General Contracting Contract for PPP Project of Comprehensive Treatment of Water System of Cangshan Convention and Exhibition Center Town Area in Fuzhou City (PPP Project) (福州市倉山會展中心片區水系綜合治理PPP項目工程總承包合同(PPP項目))	11.0	MCC Capital Engineering & Research Incorporation Limited
3	Enhancement Project of Xinzhou River Water Environment in Futian District, Shenzhen (深圳福田區新洲河流域水環境提升工程)	9.9	Huatan Engineering & Technology Corporation, MCC
4	General Contracting Contract for PPP Project of Comprehensive Treatment of Water System of Xindian Town Area in Fuzhou City (PPP Project) (福州市新店片區水系綜合治理PPP項目工程總承包合同(PPP項目))	8.1	MCC Capital Engineering & Research Incorporation Limited
5	Wuhan North Lake Sewage Treatment Plant Project and its Ancillary Constructions (Land Leveling Works and Earthwork, Pile Foundation Works and Tailwater Culvert Project) (武漢市北湖污水處理廠及其附屬工程—場平土方、樁基工程及尾水箱涵工程)	5.6	China First Metallurgical Group Co., Ltd.

## (II) Property Development Business

### 1. Industry Overview

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

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

### 2. The Operating Results of the Business

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

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

## The overall operating results of the property development business in 2017

Unit: RMB'000

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

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

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

- (1) MCC Xinglong Xincheng • Hongshijun Project. On 2 November 2017, MCC Real Estate won through bidding the land use rights for parcels located at Hongshili Village and Nantumen Village of Xinglong County at RMB1.291 billion. The project is located in Xinglong County, Chengde City, Hebei Province, which was elected as the “2017 100 Best Counties for Summer Resort in China” and “100 Best Small Towns for Deep Breaths in China”, with a total planning site area of 12,000 mu and total construction land of 3,000 mu. The planning site area, construction land area and floor area for phase I of the project will be 4,000 mu, 1,847 mu and 1.76 million sq.m., respectively, with a planning plot ratio of 1.2. The project represents the transformation of MCC Real Estate from a single real estate developer to an urban integrated operator. The project will, with no doubt, become the work of the time after the strengthening of the MCC brand. The major structure of this project is now under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2018.
- (2) Zhuhai MCC Yingjing Mansion Project. On 28 June 2017, Zhuhai MCC Mingheng Real Estate Co., Ltd. won through bidding the land use right for the parcel of Zhu Heng Guo Tu Chu 2017-05 located at Hengqin New Area at RMB5,012 million. The project is located within the scope of the international residential area planned by Hengqin Free Trade Area. The land parcel is the first land parcel solely for residential purpose in the international residential area, and the first land parcel transferred by Hengqin Free Trade Area solely for residential purpose since 2013. The project covers a site area and permissible gross floor area of 170,000 sq.m. and 230,000 sq.m., respectively, with an integrated plot ratio of only 1.35. In addition, the project lays against mountain and is faced with sea, which is a scarce low-density landscape residential project in Hengqin New Area and even in Zhuhai. The underground part of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2018.
- (3) Zhuhai Headquarter Building Phase II Project. In December 2010, Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. won through bidding the state-owned land use right for the parcel of project at approximately RMB800 million in cash. In 2015, MCC Real Estate acquired 31% equity interest in the project company through equity transfer, and is responsible for the later-stage development of the project. The project is located at Hengqin port in Hengqin Free Trade Area in Zhuhai City, which has superior geographical position

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being on the other side of the river from Macao. The project is planned to be a commercial and office complex, which is designed by Mr. Keith Griffiths, the founder partner of the world-renowned architecture practices Aedas. Taking “double dragons in pursuit of a pearl” as the design concept, the project is built to be a future landmark building in Hengqin and even Southern China. The pile foundation of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2019.

## (III) Equipment Manufacture Business

### 1. Industry Overview

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

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

### 2. The Operating Results of the Business

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

#### The overall operating results of the equipment manufacture business in 2017

Unit: RMB’000

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

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

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

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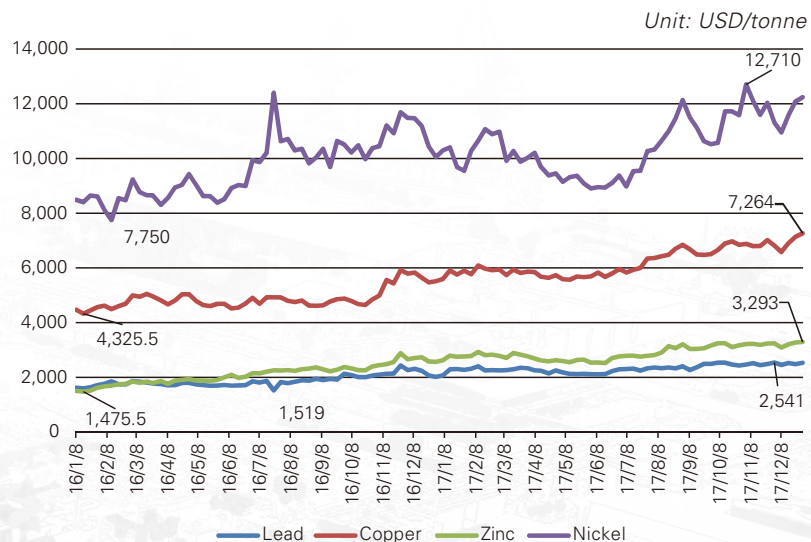
The Company will further reinforce control measures, continue to better allocate its steel structure business and assets and make all efforts in developing its capacity advantage of steel structure manufacturing business. The Company has been making breakthroughs in regional integration by kicking off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

## (IV) Resource Development Business

### 1. Industry Overview

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

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



### 2. The Operating Results of the Business

During the Reporting Period, the business of the Company's resource development mainly focuses on mining, selection and refining of metal resources of nickel, copper, lead, zinc and other metals. In line with "refining management, enhancing quality, reducing costs, controlling risks and making profits", the Company strived to improve the development and operating services of its own mineral resources.

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## The overall operating results of the resource development business in 2017

Unit: RMB'000

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

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

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

### (1) Papua New Guinea Ramu Nico Project

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

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

### (2) Pakistan Duddar Lead-Zinc Mine Project

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

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

### (3) Pakistan Saindak Copper-Gold Mine Project

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

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

### (4) Afghanistan Aynak Copper Mine Project

This project is at the stage of negotiating amendments on the mining contract. Currently, it is pending feedback from the Afghanistan Mining and Oil Department on the detailed topics on the amendments to the mining contract submitted by the Company.

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## (5) Argentina Sierra Grande Iron Ore Mine Project

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

## II. 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 nearly 70 years of technological experience, forming the core competitiveness for sustainable development, which are reflected: in respect of technologies, continuously elevating core technological capabilities and system integration abilities; in respect of management, constantly improving innovation ability and resource integration capability; in respect of corporate culture, forming corporate spirit and vision with high popularity.

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

## IV. TECHNOLOGICAL INNOVATION

In 2017, the Company's technological innovation worked tightly around the new strategic position, proactively constructed and optimized 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 2017, on the basis that satisfactory results were obtained at the top level design of "national team for metallurgical construction", the Company put forward new requirements on the national team for metallurgical construction "being top-notch and hitting to a new level with entrepreneurship", proactively targeted the international advanced level, analyzed the industry development trend and the Company's shortcomings, and 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, on the basis of six major established technology research institutes, prepared and established China MCC (Beijing) Technology Research Institute of Fabricated Construction based on Central Research Institute of Building and Construction Co., Ltd., MCC Group, prepared and established China MCC (Hebei) Technology Research Institute of Fabricated Construction based on China 22 MCC Group Co., Ltd., prepared and established China MCC (Shanghai) Technology Research Institute of Fabricated Construction based on Shanghai Baoye Group Corp., Ltd., 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.



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## (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 2017, China First Metallurgical Group Co., Ltd., being a subsidiary of the Company, was recognized as 2017 national demonstration enterprise of technological innovation; MCC Capital Engineering & Research Incorporation Limited, WISDRI Engineering & Research Incorporation Limited, Huatian Engineering & Technology Corporation, MCC and MCC Xi'an Electric Furnace Institute Co., Ltd., all being subsidiaries of the Company, were approved to be the second batch of industrial energy conservation and green development evaluation centres. Shanghai Baoye Group Corp., Ltd., China First Metallurgical Group Co., Ltd., China 22MCC Group Co., Ltd., MCC TianGong Group Corporation Limited and Central Research Institute of Building and Construction Co., Ltd., all being subsidiaries of the Company, were recognized as the first batch of industrial bases of fabricated construction.

As at the end of 2017, the Company had 20 national technological platforms and 4 national demonstration enterprise of technological innovation as approved by the Ministry of Science and Technology of China and the NDRC, holding a leading position among the state-owned enterprises, as well as 58 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.

According to the layout scheme of national-level science and technology platform of the Company, combined with market development demands and local government policies, the Company proactively guided and supported subsidiaries to optimize the layout of national-level science and technology platform to fully leverage the advantage of being the national-level science and technology platform. On 6 May 2017, Central Research Institute of Building and Construction Co., Ltd., being a subsidiary of the Company, officially established the Southern Research and Development Center in Shenzhen. The center was established by relocating the National Industrial Building's Diagnosis and Renovation Engineering Technology Research Center and National Engineering Research Center of Industrial Environmental Protection to Shenzhen and upgrading them through rebuilding, and combined with the Shenzhen Qianhai Public Safety Science Research Institute, which is beneficial to the Company to strengthen the scientific research regional layout, penetrate deeply into the industrial clustering area, and achieve the new strategic positioning of the Company.

### 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 terms of metallurgical construction, 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 research and development and application of efficient energy saving and environmental protection sintering technology and equipment, development and industrial application of ultra-large-scale complex micro-fine particle red magnetic mixed iron ore selection, development and application of ultra-large-volume oven, new technology for construction of ultra-large-scale steel converter, and research and development and application of 13MN cold shear; with respect to the infrastructure field, the Company developed and applied the energy dissipation and load bearing dual functional metal component and its high-performance shock absorption structure, large-scale bridge crane installation

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technology and application, research and application of modern industrial pipeline digital prefabrication technology and other new technologies of design and construction; in the emerging industry field, the Company achieved breakthroughs in respect of new materials of theme park and technical standard system for theme park engineering, application system of “health keeper”, information integration application technology of intelligent healthcare community and other aspects. These critical technologies were deployed during the construction process and obtained high appreciation.

### 3. *Gradual Improvement in the Intellectual Property System*

In 2017, 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. China Minmetals, which takes valid patents of the Company as the main entity, continued to rank the fourth among central enterprises and ranked the first among all central enterprises in the market competition category, with 21,004 valid patents, of which 5,650 were invention patents. Four subsidiaries were recognised as the Model Enterprise of Intellectual Property at National Level and one subsidiary of the Company were named as the Enterprise with Intellectual Property Advantages at National Level on the above-mentioned basis. So far, a total of seven subsidiaries were recognised as the Model Enterprise of Intellectual Property at National Level and 15 subsidiaries of the Company were named as the Enterprise with Intellectual Property Advantages at National Level.

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 2017, “the method of producing polysilicon”, a patent independently developed and applied for by China ENFI Engineering Corporation, a subsidiary of the Company, was awarded the 19th anniversary of the China Patent Gold Award and became the only central enterprise of construction and metallurgy to win this award, and the Company in turn became the only enterprise to win the China Patent Gold Award for three consecutive years from 2015 to 2017 (only 20 gold awards awarded nationwide each year); meanwhile, MCC also obtained 19 outstanding China patent awards, which ranked the first both among all central enterprises and all enterprises in the country.

### 4. *“Going Out” Strategy Supported by International Standards*

In 2017, the Company proactively implemented “the Belt and Road” in the country and actively promoted the compilation of international standards to provide technological support to the Company’s participation in global market competition. The Company jointly hosted in the compilation of five international standards, issued and hosted in the compilation of one international standard, and participated in the compilation of one international standard. While enhancing the compilation of international standards, the Company continued to consolidate the advantages of standard compilation in the metallurgical sector. In 2017, it issued and hosted to compile 28 national standards, thus further ensuring the Company’s dominance and power in the technology of the metallurgical industry. China ENFI Engineering Corporation, a subsidiary of the Company, was officially approved by the Standardization Administration of the People’s Republic of China as the domestic technical counterparts of the Solid Recycle Fuel Technology Committee of the International Organization for Standardization (ISO/TC300).

## **(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.

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## 1. *Increasing Enhancement in Technological Innovation*

Firstly, the Company has continuously leveraged the leading advantage of the MCC Research Institute and prepared and established MCC Technology Research Institute of Fabricated Construction

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 piping system, sponge city, beautiful countryside and smart city, water and environment, healthcare industry theme parks and fabricated construction, 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 the “national team”, strengthened the establishment of the first echelon and deployed the comprehensive advantage of the full industrial chain

According to the new requirements on the national team for metallurgical construction “being top-notch and hitting to a new level with entrepreneurship”, the Company proactively targeted the international advanced level and analyzed the industry development trend and the Company’s shortcomings, proposing the preliminary future research and development focus of the “national team”, which can be summarized as major research and development projects in eight sectors and 19 business units. The Company also organized thematic seminars with respect to electric furnace steel-making, cold rolling and other fields, focusing on major research and development directions and projects, and completed the preparation of the innovation and development planning of relevant fields, striving to solve technical bottlenecks.

## 2. *Sustained and Stable Technological Investments*

In 2017, the Company continued to increase the investment in technical research and development with a total amount of RMB7,560 million for the year, representing 3.10% 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 2017, 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 and 1 Technical Invention Award. The Company was recommended for and won 2 prizes for National Science and Technology Advancement Award for two consecutive years from 2016 to 2017, and the recommendation and award-winning rate was 100%. The Company received 18 prizes for the Metallurgical Technology Award, including 1 special prize which the Company won for the first time as the major undertaking entity, and 3 first prizes, 10 prizes for National Science and Technology Advancement Award from the China Non-ferrous Metal Industry Association including 4 first prizes, 7 Chinese Construction and Engineering Technological Innovation Achievement Awards from the China Construction Industry Association; 2 first prizes, 6 second prizes and 10 third prizes in the second-session of the China Engineering Construction BIM Application Contest.

These awards further enhanced both the Company’s influence and its discourse power in the industry.

# REPORT OF DIRECTORS

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

In 2017, the Company organized the results presentation of welding stirrup and reinforced steel pier anchor techniques, and fully promoted the application of “welding stirrup technique” and “reinforced steel pier anchor technique” within the Company; the Company will also further select mature technology with promising market prospects for prioritized promotion by cooperating with external enterprises.

In addition, the Company held the second phase of patent trainings in Beijing and Changsha, respectively, focusing on the intellectual property strategy and how to utilize intellectual property to enhance the competitiveness of enterprises and patent operation, with an aim to improve the proper understandings of the relevant departments of the subsidiaries to patent operation and practically implement patent operation through patent operation trainings.

In the emerging technology field, the Company also issued four enterprise standards such as the Technical Standards for Fabricated Steel Piping System Projects, and urged other technology research institutes to strengthen the compilation of enterprise standards to continuously improve the demonstration effect of relevant standards in the emerging industry field.

Demonstration projects for new technology application undertaken by the Central Research Institute of Building and Construction Co., Ltd., MCC Group are not only effective ways to promote achievements of the Company, but are also necessary conditions for construction enterprises to apply for the Luban Awards (魯班獎). In 2017, the Company continued to strengthen the construction of demonstration projects and approved 42 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 25 demonstration projects for new technology application of this company.

## 5. *Reinforcement of Technology and Innovation Talent Development*

During the Reporting Period, the Company followed the mission “to boost development, to facilitate practical application, to fuel development with high-end technology, and to create innovative mechanisms”, and built a workforce comprising industry-leading and expert-grade researchers and members with superb skills. Among these talents, Yue Qingrui was elected as a member of Chinese Academy of Engineering; Ning Xianhai won the championship in the World Skills Competition; Wang Lijun was honoured as “Design Master of Engineering Survey & Design (全國工程勘察設計大師)”. Fifteen talents led by Ma Weiqing became experts entitled to the special allowance of the State Council, and six talents led by Pei Qingzhu were awarded the title of “National Skill Master (全國技術能手)”.

## V. MAJOR CUSTOMERS AND SUPPLIERS

For details, please refer to “(5) Information of major customers and major suppliers” on pages 43.

## 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 shareholders' equity from pages 140 to 143 of this report and Note VII 49 to the consolidated financial statements.

Pursuant to the Company Law of the People's Republic of China (the “Company Law”), undistributed profits could be distributed as dividend upon deducting statutory surplus reserve. As at 31 December 2017, the undistributed profit of the Company amounted to RMB3,580.082 million.

# REPORT OF DIRECTORS

## 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 74 of this report.

## VIII. DIVIDENDS

For the details of the cash dividend distribution proposal of the Company during the Reporting Period, please see "Proposal for Profit Distribution for Ordinary Shares or Transfer of Capital Reserve to Share Capital" on page 59 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, Jiangsu Province	Commercial & residential	323,048.12	890,929.83	Under construction	52.96%	2020	98.52%
Singapore	Commercial & residential	16,149.40	62,175.30	Under construction	72.34%	2018	51.00%
Hexi District, Tianjin	Commercial & residential	86,835.20	500,000.00	Under construction	76.41%	2018	100.00%
Qingshan District, Wuhan, Hubei Province	Residential	59,102.00	236,868.00	Under construction	79.01%	2018	93.33%
Jiangbei District, Chongqing	Commercial & residential	678,259.00	218,634.00	Under construction	59.55%	2020	100.00%

## X. RISK FACTORS

For risk factors faced by the Company, please refer to "(IV) Possible risks and measures adopted by the Company" of "II. The Company's Discussion and Analysis on the Future Development of the Company" under the section headed "Business Discussion and Analysis" of this report.

## XI. PERFORMANCE OF SOCIAL RESPONSIBILITIES WITH RESPECT TO ENVIRONMENTAL PROTECTION

China MCC has been adhering to the scientific outlook of development of "serving environmental protection by technology, promoting development by energy conservation and emission reduction", firmly establishing the concept of construction and production of "green construction and clean production", and continuously promoting the structural adjustment and transformation and upgrading of the Company, taking green development as the long-term goal to perfect the environmental protection rules and regulations and strengthen the control over environmental pollution and prevention and management of environment-related risks. The Company has formulated the Temporary Measures on Supervision and Administration of Energy Conservation and Emission Reduction (《節能減排監督管理暫行辦法》), the Administrative Measures on Environmental Protection and Resources Conservation (《環境保護與資源節約管理辦法》), the MCC Manuals for Energy Conservation and Emission Reduction (《MCC節能減排工作手冊》), the Collection of Photos for Green Construction Demonstration of China MCC (《中國中冶綠色施工示範圖集》) and other documents, proactively promoted energy conservation and emission reduction within the Company, fostered green construction and carried out other relevant tasks.

# REPORT OF DIRECTORS

China MCC has been striving for research and development on environmental protection technologies and equipment in metallurgical engineering and new energy and environmental protection industries for years. Proactively devoting itself to environmental governance and environmental protection, and advocating the concept of environmental protection, the Company has a large number of energy conservation and environmental protection technologies that have reached an advanced level both domestically and abroad with respect of soil restoration, air pollution control, wastewater treatment, disposal of solid waste and clean energy, allowing the Company to make valuable contributions to the green, harmonious and sustainable development of the country.

In terms of wastewater treatment, the Company formed alliance of enterprises, mainly led by MCC Huatian Engineering Technology Co., Ltd., China ENFI Engineering Corporation and WISDRI Engineering & Research Incorporation Ltd., with ample strengths and great influence in water environment management. The industry leader in respect of municipal water supply and drainage, reuse of recycled water, disposal of industrial wastewater, water treatment of lakes and urban rivers, desalination of sea water, urban drinking water and other fields. The company has developed a good number of core technologies and over a hundred of authorized patents; the Company is the supporting entity for the “development of major environmental protection technologies and equipment encouraged by the state”, with multiple wastewater treatment technological achievements reaching an advanced level both domestically and abroad, and multiple national and industrial technology research and development platforms, such as water environment technology research institute. Among which, the new technology of synergistic removal of biological nitrogen and phosphorus from municipal wastewater, which is a domestic initiative by MCC Huatian Engineering Technology Co., Ltd., has reformed the traditional methods of dephosphorization and dephosphorization with drugs; the new technology of destabilization and decolorization of high-color industrial wastewater, which is a domestic initiative, has been successfully applied to practice, arousing great response in the industry. The Company has established in succession 14 water management companies and over 10 water environment project departments in Inner Mongolia, Beijing, Hebei, Anhui, Hubei, Shandong, Jiangsu, Zhejiang, Gansu, etc., undertaking over 300 industrial wastewater treatment projects, with total amount of wastewater and black-odor water treatment of approximately 5 million tonnes per day. The development of water environment management business has transformed from point-form and linear development to horizontal development.

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, with a waste disposal capacity of nearly 425,100 tonnes in aggregate, saving 44.66 mu of lands; the annual power generation amounted to 115.55 MWh, which was equivalent to saving approximately 59,500 tonnes of standard coal and reducing carbon dioxide emissions 148,300 tonnes, effectively eliminating the phenomenon of “Garbage Siege” and achieving the harmless treatment, recycling and reduction of urban domestic waste. At present, the rate of Xiangyang urban domestic waste harmless treatment has reached 100%.

With the technical advantages and project experience with respect of engineering development, design and construction, China MCC has widely applied green and low-carbon technologies to build a large number of green constructions, and obtained numerous international and domestic awards. Proactively adhering to the principles of cyclic economy which aims to the reduction of use, reuse and recycling of resources, the Company implemented the “Four Conservations and One Environmental Protection” on the construction site to vigorously promote the construction of demonstration green construction site. In 2017, China MCC undertook a total of 19 projects that were named as the National Construction Industry Demonstration Project for Green Construction, among which, the Guangxi Guomenlou Project undertaken by China MCC 17 Group Co., Ltd. was named as the National Observation Construction Site.

For further details of the environmental policy and performance of the Company, please refer to “(III) Information on environmental protection of the Company” under “XVII. Active Performance of Social Responsibilities” under the section headed “Significant Events” of the report. For details of the performance of social responsibilities by the Company, please refer to the 2017 Social Responsibility Report.

# REPORT OF DIRECTORS

## XII. EMPLOYEES

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

## XIII. LEGAL LIABILITIES 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” of the section headed “Business Discussion and Analysis” of this report.

## XIV. LIST OF DIRECTORS

For the list of directors during the Reporting Period and as at the date of this report, please refer to the section headed “Particulars of Directors, Supervisors, Senior Management and Staff” of this report.

# BUSINESS DISCUSSION AND ANALYSIS

## I. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

During the Reporting Period, the operating revenue of the Company amounted to RMB243,999,864 thousand, representing a year-on-year growth of 11.13%, the total profit amounted RMB8,974,686 thousand, representing a year-on-year growth of 17.35% and the net profit attributable to shareholders of listed company amounted to RMB6,061,488 thousand, representing a year-on-year growth of 12.75%.

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

#### 1. Analysis on revenue and costs

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

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

##### 1) Trend of macro-economy internationally and domestically

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



# BUSINESS DISCUSSION AND ANALYSIS

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

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

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

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

### ① Impact from changes in the tax policy

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

The preferential tax policy for the Development of the Western Regions and the preferential tax policies for hi-tech enterprises currently enjoyed by some of the Company's subsidiaries, as well as the resources tax, the property development tax, and other taxes may undergo some changes following the changes in the PRC's tax policies. Changes in the relevant preferential tax policies would affect the Company's financial performance.

### ② Impact of the fluctuation in exchange rate and monetary policy

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

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

## 4) *Overseas tax policies and their changes*

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

# BUSINESS DISCUSSION AND ANALYSIS

## 5) *Changes in major raw materials prices*

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

## 6) *Construction subcontracting expenses*

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

## 7) *Operation of subsidiaries and key projects*

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

## 8) *Enhancement in the quality of operational management*

The quality of operational management will significantly affect the results of the Company. The Company will continue to "Highlight the Theme of Reform and Focus on Core Business", strive to further improve the corporate governance and operation of internal control in order to strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. The Company will continue to deepen the design and operation of "macro environment, heavyweight clients and mega projects", through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity, design and operation and achieved a simple, efficient and effective management and control system. Whether these management goals can be effectively implemented will also influence, to quite a large extent, the improvement in the operating results of the Company.

## 9) *Uneven distribution of revenue*

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

# BUSINESS DISCUSSION AND ANALYSIS

## (2) Major business by segment, product and region

Unit: RMB'000

### Information of major business by segment

Segment	Operating revenue	Operating costs	Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
Engineering contracting	208,612,860	185,356,908	11.15	11.18	11.06	Increased by 0.10 percentage points
Property development	24,914,457	18,728,926	24.83	10.70	14.37	Decreased by 2.41 percentage points
Equipment manufacture	6,254,959	5,682,379	9.15	22.36	24.66	Decreased by 1.68 percentage points
Resource development	5,664,790	4,045,439	28.59	49.50	20.68	Increased by 17.06 percentage points

### Information of major business by region

Regions	Operating revenue	Operating costs	Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	Increase or decrease in the gross margin as compared to that of last year (%)
PRC	228,157,505	197,897,459	13.26	10.15	10.28	Decreased by 0.10 percentage points
Other countries/regions	15,842,359	14,154,846	10.65	27.46	18.71	Increased by 6.58 percentage points

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

Description of major business by segment and region

#### 1) Explanation on Major Business by Segment

##### ① Engineering contracting business

Engineering contracting business is the traditional core business of the Company which is mainly carried out by way of EPC contract and general financing and construction contracting contract, and is currently the major source of income and profits of the Company. The gross profit margins of the engineering contracting business for the year 2017 and 2016 were 11.15% and 11.05%, respectively, with a year-on-year increase of 0.10 percentage points. The increase was mainly due to the fact that the Company proactively built the main platform for centralized control of projects, launched training sessions for project managers, continued to devote more working effort on improving its quality and efficiency, and strictly controlled various unreasonable project expenditures.

# BUSINESS DISCUSSION AND ANALYSIS

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

Unit: RMB'000

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

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

In 2017, there were 10,457 projects under construction conducted by way of EPC contract with operating revenue of RMB158.8 billion, of which the major risks were project cost risk and collection risk; and 7,057 completed construction projects under inspection and acceptance with operating revenue of RMB56.0 billion, of which the major risk was collection risk. Projects that under general financing and construction contracting model were mainly PPP projects, and 149 projects were under construction in 2017 with operating revenue of RMB28.2 billion. In 2016, PPP there were 66 PPP projects under construction with recognized revenue of RMB9.4 billion, of which the major risks were cost risk, collection risk and operation risk incurred throughout the entire life cycle of the projects. While ensuring the pushing forward of production and operation, the Company persistently gives high importance to the risk control and management of each project, controlling cost risk and collection risk through a series of measures to improve cost management and applying diversified collection methods that are applicable to the characteristic of each project to strengthen the collection capability. Under the process of transformation and upgrades, the revenue of engineering contracting business of the Company remained stable with a slight growth. The contribution of non-metallurgical engineering business to revenue has increased year by year while the proportion of metallurgical engineering business to revenue has decreased correspondingly.

## ② Property development business

For the years of 2017 and 2016, the total gross profit margins of the Company's property development business were 24.83% and 27.24%, respectively, with a year-on-year decrease of 2.41 percentage points.

## ③ Equipment manufacture business

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

# BUSINESS DISCUSSION AND ANALYSIS

## ④ Resource development business

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

## 2) Explanation on Major Business by Region

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

## (3) Analysis on production and sales

Applicable  Not Applicable

## (4) Table of analysis on costs

Unit: RMB'000

### Situation by segment

Segment	Costs component	Amount for the current period	Proportion of the amount for the current period to the total costs (%)	Amount for the same period in the previous year	Proportion of the amount for the same period in the previous year to the total costs (%)	Percentage change in the amount for the current period as compared to that for the same period in the previous year (%)
Engineering contracting	operating costs	185,356,908	85.28	166,896,342	85.64	11.06
Property development	operating costs	18,728,926	8.62	16,376,237	8.40	14.37
Equipment manufacture	operating costs	5,682,379	2.61	4,558,392	2.34	24.66
Resource development	operating costs	4,045,439	1.86	3,352,201	1.72	20.68

Note: The segment revenue is figures before inter-segment eliminations.

# BUSINESS DISCUSSION AND ANALYSIS

Description of other results in the analysis on costs

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

Unit: RMB'000

Item of cost	2017		2016		2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	98,842,819	53.32	90,463,947	54.20	84,496,775	51.86
Materials expenses	55,006,410	29.68	47,828,129	28.66	50,501,024	30.99
Labour costs	10,142,600	5.47	8,775,212	5.26	8,641,325	5.30
Machinery usage fees	2,959,236	1.60	2,579,720	1.55	2,762,754	1.70
Others	18,405,843	9.93	17,249,334	10.33	16,540,269	10.15
Total engineering costs	185,356,908	100.00	166,896,342	100.00	162,942,147	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.

## (5) Information of major customers and major suppliers

The sales of top five major customers amounted to RMB11,507,373 thousand, accounting for 4.72% of the total annual sales. No sales of top five major customers are derived from the sales to related parties.

Unit: RMB'000

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

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

# BUSINESS DISCUSSION AND ANALYSIS

Unit: RMB'000

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

## 2. Expenses

### (1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In 2017 and 2016, the Company's selling expenses were RMB1,961,287 thousand and RMB1,665,258 thousand respectively, representing a year-on-year increase of 17.78%.

### (2) Administrative expenses

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

### (3) Financial expenses

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

## 3. Research and development expenditure

Table of research and development expenditure

Unit: RMB'000

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

# BUSINESS DISCUSSION AND ANALYSIS

## 4. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

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

### (1) Operating activities

In 2017 and 2016, the Company's net cash flows generated from operating activities amounted to RMB18,417,847 thousand and RMB18,558,549 thousand respectively, representing a year-on-year decrease of 0.76%. In 2017 and 2016, the cash inflow generated from operating activities mainly came from the cash receipts from the sale of goods and the rendering of service, accounting for 96.47% and 98.35% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash payments for goods purchased and services received, cash payments to and on behalf of employees and payments of various types of taxes. In 2017 and 2016, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 83.35%, 8.25%, 4.29% and 80.93%, 8.70%, 5.12% respectively.

### (2) Investing activities

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

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. In 2017 and 2016, the respective investing of such cash inflow with respect to the cash inflow generated from investing activities accounted for 4.85%, 16.31%, 29.10% and 59.49%, 17.55% and 9.42% respectively. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments. In 2017 and 2016, such cash outflow accounted for 21.39%, 28.25% and 50.30% and 43.42% respectively with respect to the cash outflow generated from investing activities.

### (3) Financing activities

In 2017 and 2016, the Company's net cash flows generated from financing activities amounted to RMB-2,100,336 thousand and RMB-5,597,927 thousand respectively. A large amount of net cash outflow from financing activities was mainly due to the higher amount of cash paid for debt repayment than that of cash received from borrowings for the Reporting Period.

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



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

#### (1) Analysis on the structure of assets

##### Cash and bank balances

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

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

# BUSINESS DISCUSSION AND ANALYSIS

## *Accounts receivable*

As at 31 December 2017 and 31 December 2016, the Company's net accounts receivable were RMB73,495,762 thousand and RMB69,544,642 thousand respectively. Net accounts receivable increased by 5.68%, which was mainly due to the growth of the operating scale and the extension of payment term by property owners. In 2017, the Company achieved an operating income of RMB243,999,864 thousand, representing a year-on-year increase of 11.13%; in keeping the leading position in the market of metallurgical engineering, the Company, based on the changes of the market environment, actively carried out business transformation and worked hard to develop non-metallurgical engineering projects as well as projects in connection with people's livelihood, urban comprehensive development and municipal infrastructure. Generally, the clients of such kind of projects are local governmental departments and large and medium scale enterprises, and therefore, the settlement cycle of such projects are relatively long, which prolonged the recovery cycle of relevant receivables.

The Company always places great emphasis on the safety and completeness of accounts receivable and adopts strong measures to clear up debts, collect each of the receivables timely based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to receivables with potential risks in collectability pursuant to the accounting policies of the Company, but the efforts put to collect the receivables will not be affected.

## *Inventories*

The inventories of the Company mainly consisted of completed and unsettled engineering and construction works, properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc. The inventory structure of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacture and resource development businesses in which the Company was engaged. As at 31 December 2017 and 31 December 2016, the Company's net inventories were RMB118,292,878 thousand and RMB122,191,095 thousand respectively. The net inventories decreased by 3.19%, which was mainly due to the decrease in inventories in respect of real estate.

## *Intangible assets*

As at 31 December 2017 and 31 December 2016, the aggregated carrying value of the Company's intangible assets were RMB15,419,183 thousand and RMB14,416,860 thousand respectively, representing a year-on-year increase of 6.95%. The Company's intangible assets mainly included land use rights, the right to use the franchise and patent and proprietary technology, etc.

## **(2) Analysis on the structure of liabilities**

### *Long-term and short-term borrowings*

Long-term and short-term borrowings of the Company mainly consisted of credit loans, pledge loans and guaranteed loans from commercial banks and other financial organizations. As at 31 December 2017 and 31 December 2016, the carrying amount of the Company's short-term borrowings were RMB39,425,855 thousand and RMB49,740,440 thousand respectively, with a year-on-year decrease of 20.74%. As at 31 December 2017 and 31 December 2016, the carrying amount of the Company's long-term borrowings were RMB23,470,743 thousand and RMB25,038,820 thousand respectively, with a year-on-year decrease of 6.26%.

# 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 2017 and 31 December 2016, the Company's carrying value of accounts payable were RMB117,498,912 thousand and RMB111,999,308 thousand respectively, representing a year-on-year increase of 4.91%. The increase in the accounts payable was mainly due to the increase in the subcontracting and engineering costs payable.

## *Receipts in advance*

Receipts in advance mainly included advance receipts under construction contracts, reserves for material costs, cost for settled but incomplete works and payments for pre-sale of apartments. As at 31 December 2017 and 31 December 2016, the carrying amount of the Company's receipts in advance were RMB43,861,424 thousand and RMB33,161,350 thousand respectively, representing a year-on-year increase of 32.27%, mainly because of the increase in the advance receipts of project fees.

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

For details of the restrictions on assets, please refer to "66. Assets with title restrictions" on page 249 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*

<b>Sub-segment</b>	<b>Housing construction</b>	<b>Infrastructure construction</b>	<b>Professional engineering</b>	<b>Others</b>	<b>Total</b>
Number of projects ( <i>Unit</i> )	2,569	534	3,102	852	7,057
Total amount	21,359,177	8,789,008	16,346,579	9,459,893	55,954,657

*Unit: RMB'000*

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

#### 2. Projects under construction during the Reporting Period

*Unit: RMB'000*

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

# BUSINESS DISCUSSION AND ANALYSIS

Unit: RMB'000

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

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	460	15,362,914
Africa	119	656,616
South America	40	481,316
Europe	42	180,202
Oceania	18	536,807
North America	15	208,286
Total	694	17,426,141

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

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	794,523,280	64,625,849	1,753,829	793,577,307	63,817,993

6. Competency for construction projects of the Company

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

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

# BUSINESS DISCUSSION AND ANALYSIS

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

In 2017, the operation of the quality control system of the Company was normal and the overall construction quality was under control without occurrence of any significant quality accident. The quality control system of the Company, which comprises three core levels, namely the headquarters, the subsidiaries and the project management department, is operated smoothly. Each of the levels stringently executes the national, industrial and local standards of quality. The Company implemented effective quality control on construction projects by various measures such as promoting self-check by subsidiaries, regional quality check, special inspection, and quality assessment which focused on promoting standardization of quality management and building quality constructions, and commenced publicity and educational activities such as “quality month” activities as safeguard measures. In 2017, the Company had 8 projects (including participation in construction) that won the Luban Award for Construction Project in China (中國建設工程魯班獎), 18 projects (including participation in constructions) won the Prize for National High-quality Construction (國家優質工程獎), 3 projects won Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎). It received 40 High-quality Constructions in the Metallurgical Industry (冶金行業優質工程), and won 29 Awards for Outstanding Construction Survey in the Metallurgical Construction Industry (冶金建設行業優秀工程勘察獎), 103 Awards for Outstanding Construction Design in the Metallurgical Construction Industry (冶金建設行業優秀工程設計獎) and various awards for other industries and local prizes.

In 2017, the Company had no major production accident. The Company persistently adheres to the production safety principle of “Safety First, Prevention Crucial, and Comprehensive Management”, and increases the awareness of the importance of production safety, earnestly implements important instructions given by the national leader and meeting documents in relation to production safety committee by all superior departments and committees. In accordance with the general requirements of “joint responsibility between party and government, one position bearing two kinds of responsibility, joint control and management among various departments, and claim against dereliction of duty”, the Company further optimized and improved the safety responsibility system; stringently performed core responsibilities of training and education on enterprise safety; generally promoted the standardized establishment of safety and civilization of on-site construction with 8 construction projects which won the honorary title of national “Standardized Site of Safety Production of Construction Engineering Project” (建設工程項目施工安全生產標準化工地); continuously strengthened the safety inspection and control of on-site project production safety; and comprehensively enhanced the standards of production safety management of the Company.

## 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 amounted to RMB106,189 million, representing a year-on-year increase of 0.78% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. Among which, the balances of debt financing and financing by other equity instruments amounted to RMB88,305 million and RMB17,884 million, respectively, which contributed to the further optimization of financing structure; the balance of financing due within one year and the long-term financing balance amounted to RMB57,470 million and RMB30,835 million, respectively.

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

For other details in relation to the public issuance of bonds on the Shanghai Stock Exchange, please refer to the section headed “Corporate Bonds”.

# BUSINESS DISCUSSION AND ANALYSIS

(2) Equity Financing During the Reporting Period

The Company's equity registration of non-public offering of shares to specific investors on 26 December 2016 was completed on 6 January 2017 (for details, please refer to the announcement of the Company published on 10 January 2017 and the section headed "Changes in Ordinary Shares and Particulars of Shareholders" of this report).

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

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

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

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

## (V) Investment analysis

1. Overall analysis on external equity investments

Applicable  Not Applicable

(1) Substantial equity investments

Applicable  Not Applicable

(2) Substantial non-equity investment

Applicable  Not Applicable

# BUSINESS DISCUSSION AND ANALYSIS

## (3) Financial assets measured at fair value

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

### Equity interests in other listed companies held by the Company

Unit: RMB'000

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

# 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)	Change in owners' equity during the reporting period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	-	0.54	30,000,000	-	-	Available-for-sale financial assets	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	-	0.74	27,696,000	-	-	Available-for-sale financial assets	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	17,097,680	-	2.20	17,097,680	-	-	Available-for-sale financial assets	By acquisition
Wuhan Iron & Steel Group Financial Corporation Limited (武漢鋼鐵集團財務有限責任公司)	2,000,000	-	0.13	2,000,000	-	-	Available-for-sale financial assets	By acquisition
<b>Total</b>	<b>76,793,680</b>	<b>-</b>	<b>/</b>	<b>76,793,680</b>	<b>-</b>	<b>-</b>	<b>/</b>	<b>/</b>

### (VI) Disposal of material assets and equity

Applicable  Not Applicable

### (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

Applicable  Not Applicable

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

### (I) Landscape and trend of the industry

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

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



# BUSINESS DISCUSSION AND ANALYSIS

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

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

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

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

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

## (II) Development strategy of the Company

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

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

# BUSINESS DISCUSSION AND ANALYSIS

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

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

Long-term adherence to pursuing the path for the quality development with advanced technologies: Consolidating and building up technological innovation is the primary driver for development of the Company. It covers all-rounded enterprise management including innovative corporate culture, personnel incentive mechanism, investment in scientific and technological research and development and business development strategies. At the same time, by setting a goal of creating optimum engineering in accordance with the requirements of high quality development, the craftsmanship spirit is safeguarded to enhance the fine management level of quality standardization. By creating a set of excellent projects that represents the outstanding construction capabilities of MCC, the Group’s quality brand is well-promoted.

### (III) Operational plan

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

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

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

The Company will manage reasonable expectations, adjust its operating strategies and leverage on its conditions of active development in order to realize stable development.

# BUSINESS DISCUSSION AND ANALYSIS

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

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

The Company persistently adheres to the guideline of “building up a national team for metallurgical construction” to propel the implementation of the top-level design plan and strategies by a national team of advisers and push forward the integration of internal resources and professional echelon division, in order to continuously increase the competitiveness and influence of the Company in the global iron and steel engineering technology sector. In recent years, while focusing on new production capacity, the Company has paid more attention to the technological transformation of its existing production capacity and continuously enhanced its efforts on transformation from traditional metallurgical engineering field to fundamental construction area and emerging markets to expand its market share. The amount of newly signed contracted value of metallurgical engineering fell below 20% of the total amount of newly signed contracted value by the Company, which shows that the Company successfully completed business transformation and effectively defused the risk associated with metallurgical engineering market.

## 3. *Risks associated with the non-steel engineering segment*

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

As “the main force for fundamental construction and the forerunner of the emerging industries”, the Company has actively responded to the risk of competition in the non-steel engineering markets with open mind and advanced with time, and further adapted to the environmental changes. It has expanded the research and innovation of business models such as PPP model and constantly improved the design and operation of “macro environment, heavyweight clients and mega projects”. It devotes its efforts to developing the non-steel engineering markets such as premium property construction, highways, transport and municipal infrastructure, integrated subterranean piping systems, sponge city, smart city and beautiful countryside by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital. It endeavors to build up an entire industrial chain capability for one-stop services, enhance its brand influence, vigorously expand and develop markets and continuously strengthen risk resistance capability by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital, and has achieved remarkable success.

# BUSINESS DISCUSSION AND ANALYSIS

## 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 be exposed to various risks including clearing inventories, intensifying industrial competition, lowering profitability and intensifying diversification of regional home prices. With various real estate regulation policies having been successfully introduced since 2017, formation of different property regulations and housing market construction long-effect mechanisms, such as "Protection for Low-end, Support for Middle-end, Market for High-end" is sped up. With the notable acceleration in the establishment of real estate long-effect mechanism, tough policies will still be introduced and tightened in short term, third-tier and fourth-tier cities lack great potential for future development, and banking facilities are continued to be tightened, and it is expected that the real estate market will keep steady in 2018 and different types of cities will continue to be differentiated. Although first-tier cities are still subject to purchasing limitation policy, with the support of strong population absorption capacity and economic level, it is expected that the trading volume of first-tier cities can be kept in high level. The performance of second-tier market is differentiated and such situation will be further exacerbated. Market performances of cities such as Hefei, Wuhan, Zhengzhou and Nanjing may remain stable or show a trend of slight grow. However, for cities such as Dalian, Ningbo, Shenyang and Changchun, due to their higher inventory pressure and the inability to attract more people, their market turnovers remain uncertain. Demands in the third-tier and fourth-tier cities are low and overall inventory level is high, therefore their prospects are not promising.

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

## 5. *Risks associated with financial segment*

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

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

## 6. *Risks associated with bulk commodity prices*

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

# BUSINESS DISCUSSION AND ANALYSIS

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

## 7. *Risks associated with international operations*

The operating businesses of the Company in various countries and areas are subject to local factors in respect of politics, laws, society, exchange rate and economy, etc., which may have certain risks to overseas businesses of the Company and may even lead to the suspension of contracts, failing to fulfill the construction on schedule or occurrence of claims or disputes. These will affect the revenue and profits of the overseas business of the Company.

The Company will conduct in-depth study on policies, regulations and humanistic environment of the places where the projects are based and build a good cooperative relationship with local governments and property owners; accelerate the localization process, consistently insist on assessment and risk examination of contracts on overseas construction projects before tendering and implementing a classified risk management mechanism during the process and optimize the emergency plans for the overseas construction projects in a bid to reduce the international operating risks.

## III. FAILURE TO DISCLOSE AS PER RULES DUE TO INAPPLICABILITY OR SPECIAL REASONS, SUCH AS STATE SECRETS AND BUSINESS SECRETS

Applicable       Not Applicable

# 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 followings:

- 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 is under favourable operation 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 can 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' Meeting, the Company shall proactively communicate with its Shareholders, in particular, minority Shareholders, through various channels to receive opinions and requests 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. *2017 Profit Distribution Proposal*

MCC's consolidated net profit in the audited consolidated statement attributable to Shareholders of the Company in 2017 was RMB6,061,488 thousand, and MCC's undistributed profit was RMB3,580,082 thousand. The Company proposed to use the total share capital of 20,723.62 million shares as the base to distribute a cash dividend of RMB0.68 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,409,206 thousand. The remaining undistributed profit of RMB2,170,876 thousand will be used to increase investments in subsidiaries and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 23.25% of the net profit attributable to the Shareholders of listed company in the consolidated statements of MCC in 2017.

## 6. *Explanation on 2017 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 statements

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 distribution 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.

MCC has proactively put more efforts on market exploration and innovation development, vigorously promoted PPP business, proactively participated in the building of emerging markets, such as urban integrated piping system, sponge city, beautiful countryside, smart city, etc., accelerated the pace of "going out" by relying on "the Belt and Road" national initiative, which has received satisfactory results and laid foundation for sustainable and steady development of the Company.

# SIGNIFICANT EVENTS

(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 2017 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 2017 Profit Distribution (《關於中國中冶2017年度利潤分配的議案》) and agree to submit the same to the 2017 annual general meeting for consideration and approval.

**(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 attributable to the holders of shares of the listed company in the consolidated statement for the dividend year	Ratio
						accounted for by net profit attributable to holders of ordinary shares of the listed company in the consolidated statement (%)
2017	0	0.68	0	1,409,206	6,061,488	23.25
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

**(III) Recognition of repurchased shares offered by cash as cash dividends**

Applicable  Not Applicable

**(IV) When profits and earnings available for distribution to holders of ordinary shares of the parent company during the Reporting Period are positive, but no distribution plan for cash dividends on ordinary shares has been proposed, the Company shall disclose the reasons and the use and intended plan for using undistributed earnings**

Applicable  Not Applicable



# SIGNIFICANT EVENTS

## 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 the 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. <sup>Note</sup>	27 June 2014 to 26 June 2017	Yes	Yes	-	-
	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	-	-

# SIGNIFICANT EVENTS

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 non-public offering <sup>Note</sup>	Others	MCC Group	Special Self-Inspection Report On the Real Estate Business for the Purpose of the Non-public Issuance of A Shares of the China Metallurgical Group Corporation in 2015 disclosed MCC's development of domestic commodity houses during the Reporting Period, in a true, accurate and complete manner. If there is any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging within the scope of the self-inspection of MCC, which causes losses to MCC and its investors, the undertaking parties shall bear the corresponding liability for compensation.	29 September 2015	No	Yes	-	-
Undertakings in relation to the corporate bonds	Others	MCC	During the renewable periods of Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Fourth Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2017 Renewable Corporate Bonds"), if the Company does not expect to pay the principal and interests of such bonds on time or fails to pay the principal and interests on time at the maturity date of such bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary shareholders; (2) no reduction in registered capital.	From the issuance date of 2017 Renewable Corporate Bonds to the maturity date of such bonds	Yes	Yes	-	-

# SIGNIFICANT EVENTS

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
			During the renewable period of Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2017 Corporate Bonds"), if the Company does not expect to pay the principal and interests for this tranche of bonds on time or fails to pay the principal and interests on time at the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary shareholders; (2) no reduction in registered capital.	25 October 2017 to 25 October 2022	Yes	Yes	-	-
			The funds raised from 2017 Renewable Corporate Bonds and 2017 Corporate Bonds are used only for production and operating activities of enterprises that comply with national laws, regulations and policies. Such raised funds will be used strictly in accordance with the agreed purpose mentioned in the prospectus. Such funds will not be used by others and will not be used as non-production expenditures and real estate business. A practical and effective monitoring mechanism and isolation mechanism for raised funds will be established.	The issuance dates of 2017 Renewable Corporate Bonds and 2017 Corporate Bonds	No	Yes	-	-

*Note:* For details, please refer to the Announcement on the Progress of Undertakings from Relevant Entities of the Company disclosed on 28 March 2017.

**(II) When there is profit forecast regarding assets or projects of the Company, and if the Reporting Period remains in the span of Forecast Period, the Company shall disclose whether such assets or projects have realize the original profit forecast and relevant reasons**

Realized       Not Realized       Not Applicable

# SIGNIFICANT EVENTS

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

Applicable  Not Applicable

## IV. EXPLANATION ON THE “NON-STANDARD AUDIT REPORT” ISSUED BY THE ACCOUNTING FIRM

Applicable  Not Applicable

## V. ANALYSIS ON REASONS AND IMPACT OF ACCOUNTING POLICY, CHANGES TO ACCOUNTING ESTIMATE OR CORRECTION TO MATERIAL ACCOUNTING ERRORS

### (I) Analysis of reasons and impact of accounting policy and changes to accounting estimate

The Ministry of Finance newly issued the Accounting Standards for Business Enterprise No. 42 – Non-current Assets or Disposal Groups Held-for-Sale and Discontinued Operations in May 2017, revised the “Accounting Standards for Business Enterprises No.16 – Government Grants” in June 2017, and issued the Notice on the Revision of the Format for Issuing General Enterprise Financial Statements in December 2017. For details of the impact on the financial statements of the Group, please refer to Note V29 to the “Financial Report” in Chapter XI of the report.

### (II) Analysis of reasons and impact of correction to material accounting errors

Applicable  Not Applicable

### (III) Communication with former accounting firm

Applicable  Not Applicable

### (IV) Other explanations

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: yuan Currency: RMB

<b>Current Appointment</b>	
Name of domestic accounting firm	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)
Remuneration of domestic accounting firm	20,700,000
Term of audit by domestic accounting firm	4 years

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

*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 2016 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) ("Deloitte Touche Tohmatsu") as its auditors for the year 2017, and was responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the Accounting Standard for Business Enterprises. Meanwhile, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided statutory financial audit services for part of the subsidiaries.

The audit and review fees for the financial statements for 2017 are RMB20.7 million, while the internal control audit fees for the year are RMB2.7 million.

Deloitte Touche Tohmatsu has provided annual audit services for the Company for four consecutive years. The signing certified public accountants for the 2017 audit report are Ma Yan Mei and Chen Wen Long, whom have acted as the signing certified public accountants and have been providing audit services for the Company for four consecutive years.

### Explanation on change in appointment of accounting firm during the audit period

Applicable  Not Applicable

## VII. RISK EXPOSURES TO SUSPENSION OF LISTING

Applicable  Not Applicable

## VIII. SITUATION OF AND REASONS FOR DELISTING

Applicable  Not Applicable

## IX. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable  Not Applicable

## X. 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.

# SIGNIFICANT EVENTS

## XI. 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

## XII. 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.

## XIII. 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*

Applicable  Not Applicable

#### *Other explanations*

Applicable  Not Applicable

#### *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 Group Co., Ltd. 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.

#### *Other incentives*

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## XIV. MATERIAL CONNECTED TRANSACTIONS

### (I) Connected transactions related to day-to-day operation

1. *Events disclosed in temporary announcements without further development or change in subsequent implementation*

Applicable  Not Applicable

2. *Events disclosed in temporary announcements and with further development or change in subsequent implementation*

Applicable  Not Applicable

3. *Events not disclosed in temporary announcements*

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
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase and sales of materials – expense	agreed price	-	4,816,043	7.5191	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Sales of commodities	Purchase and sales of materials – income	agreed price	-	298,436	2.3923	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Engineering construction – income	agreed price	-	579,195	0.3079	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour services	Engineering construction – expense	agreed price	-	822	0.0009	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Production maintenance and repair – income	agreed price	-	9,212	0.1993	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Metallurgical and Management services – income	agreed price	-	19,654	0.1668	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour services	Metallurgical and Management services – expense	agreed price	-	2,377	0.3097	-	-	-

# SIGNIFICANT EVENTS

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
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Loans from other banks	Industrial financing services – total financing – finance leasing	agreed price	-	200,000	73.3945	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services – financing costs – finance leasing	agreed price	-	8,754	18.5793	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services – financing costs – credit services	agreed price	-	21,366	0.7972	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	Property leasing – expenses	financing contracts	-	42,500	5.4263	-	-	-
Total				/	/	5,998,359	/	/	/	/
Details of return of sold goods in large quantities										Not Applicable
Description of connected transaction										Not Applicable

On 8 December 2015, the Strategic Restructuring between MCC Group and China Minmetals started upon the approval of the SASAC, whereby MCC Group will be merged into China Minmetals. As at the disclosure date of this report, relevant industrial and commercial change have not been completed. Pursuant to the Implementation Guidelines for Related Transactions of Listed Companies of the Shanghai Stock Exchange, China Minmetals and its subsidiaries other than MCC do not constitute related parties under the A Shares Listing Rules, and the transactions between the Company and China Minmetals do not constitute connected transactions under the H Shares Listing Rules. But the Company has taken such continuing transactions as continuing connected transactions under the H Shares Listing Rules during the Reporting Period.

The 30th meeting of the second session of the Board was convened on 28 April 2017, which considered and approved the Resolution in relation to the Application of Annual Caps for the Daily Connected Transactions/Continuing Connected Transactions for 2017 to 2019 and the Signing of Connected Transactions Agreements. Set out below are the agreed annual caps for the daily connected transactions/continuing connected transactions between the Company and China



# SIGNIFICANT EVENTS

Minmetals and its subsidiaries other than the Company ("China Minmetals Group") for the years from 2017 to 2019 (for details, please refer to the relevant announcement of the Company disclosed on 28 April 2017):

Unit: RMB0'000

Type of transaction	Financial year		
	2017	2018	2019
<b>Connected transactions in relation to purchase and sale of materials</b>			
Income	482,000	570,000	691,000
Expense	1,634,000	1,844,000	2,347,000
<b>Connected transactions in relation to engineering construction</b>			
Income	2,052,000	2,147,000	2,417,000
Expense	1,900	5,200	5,200
<b>Connected transactions in relation to property financing services</b>			
Total amount of financing – Factoring	500,000	500,000	550,000
Total amount of financing – Finance leasing	500,000	500,000	550,000
Finance charges – Credit services	60,000	120,000	114,000
Finance charges – Factoring	30,000	30,000	33,000
Finance charges – Finance leasing	30,000	30,000	33,000
<b>Connected transactions in relation to production repairs and maintenance</b>			
Income	1,300	2,600	3,900
<b>Connected transactions in relation to management services</b>			
Income	16,500	27,600	33,600
Expense	3,000	4,500	7,500
<b>Connected transactions in relation to property leasing</b>			
Expense	5,000	5,100	5,200

The annual general meeting for the year 2016 of the Company was convened on 26 June 2017, which considered and approved the Resolution in relation to the Application of Annual Caps for the Daily Connected Transactions/Continuing Connected Transactions for 2017 to 2019 and the Signing of Connected Transactions Agreements, approved the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement entered into between the Company and China Minmetals Group on 31 May 2017, and approved the above mentioned annual caps for daily connected transactions in relation to purchase and sale of materials, engineering construction and property financing services for the years from 2017 to 2019 between the Company and China Minmetals Group (please refer to the circular dispatched to Shareholders on 8 June 2017 and the announcement on poll results of the 2016 annual general meeting disclosed on 26 June 2017).

Four non-connected Directors of the Company unanimously approved the resolution in relation to the daily connected transactions. Independent Directors of the Company are of the view that daily connected transactions/continuing connected transactions between the Company and China Minmetals are in the lawful interests of the Company and non-connected Shareholders without prejudice to the interests of medium and small Shareholders.

# SIGNIFICANT EVENTS

In respect of the abovementioned continuing connected transactions, the Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules. During the Reporting Period, in conducting the abovementioned continuing connected transactions, the Company has followed the pricing policies and guidelines determined at the time of entering into transactions.

The Company's Independent Non-executive Directors have reviewed the aforementioned continuing connected transactions with China Minmetals 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 with China Minmetals 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 China Minmetals 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.

## **(II) Connected transactions in relation to acquisition or disposal of assets or equity**

Applicable  Not Applicable

## **(III) Major connected transactions in relation to joint investment in external parties**

Applicable  Not Applicable

## **(IV) Related creditor's rights and debt transactions**

Applicable  Not Applicable

## **XV. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF**

### **(I) Trusteeship, contracting and leasing**

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## (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	Effective date of guarantee (date of Commencement executing agreement)			Expiry date of guarantee	Type of guarantee	Whether the guarantee was fully fulfilled		Whether any counter guarantee available		Whether guarantee for a related party	Connected relationship
				date of guarantee	date of guarantee	date of guarantee			Whether overdue	Whether overdue				
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	0 <sup>(1)</sup>	18 June 2009	18 June 2009	10 December 2017	Under joint liabilities	Yes	No	0	No	No	-	
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	0 <sup>(2)</sup>	2 February 2010	2 February 2010	2 December 2017	Under joint liabilities	Yes	No	0	No	No	-	

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	-153,000,000 <sup>(3)</sup>
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	0

### Guarantees provided by the Company and its subsidiaries to its subsidiaries

Total amount of guarantees provided to its subsidiaries during the Reporting Period	2,723,799,445.68
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)	15,936,151,097.22

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

Total amount of guarantees (A+B)	15,936,151,097.22
Total amount of guarantees as a percentage of the Company's net assets (%)	19.32
Including:	
Amount of guarantees provided to shareholders, the de facto controller and their related parties (C)	0
Debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	14,923,531,478.73
Excess of total amount of guarantees over 50% of the net assets (E)	0
Total amount of guarantees of the above 3 items (C+D+E)	14,923,531,478.73
Explanation on the potential joint liquidity liability arising from the outstanding guarantees	Nil
Explanation on the guarantees	Nil

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 RMB0 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 RMB0 as at the end of the Reporting Period.

# SIGNIFICANT EVENTS

- (3) As at 31 December 2017, the balance of guarantees provided by MCC and its subsidiaries to the entities outside the scope of the consolidated statements of MCC were zero, and the actual amount of guarantees decreased by RMB153,000 thousand as compared to the end of 2016.

## (III) Entrusting third parties with cash asset management

### 1. Entrusted financial management

During the Reporting Period, there was no entrusted asset management matters of the Company.

### 2. Entrusted loans

#### (1) Overall entrusted loans

Unit: RMB0'000

Type	Source of funding	Amount	Outstanding balance	Amount overdue but uncollected
Entrusted loan one-to-one	Fund on hand	492,000	760,000	0

#### (2) Individual entrusted loans

Unit: RMB0'000

Entrustee	Type of entrusted loan	Amount of entrusted loan	Commencement date of entrusted loan	Termination date of entrusted loan	Source of funding	Investment direction of funding	Form of determining return	Annualized rate of return	Expected income (if any)	Actual income or loss	Actual recoverability	Whether comply with statutory procedures	Whether there is a plan for entrusted loan in the future	Provisions for impairment (if any)
The Bank of East Asia (China) Limited Tianjin Branch	Entrusted loan one-to-one	120,000	7 March 2017	6 March 2020	Fund on hand	Project development and construction	Contractually agreed	5.6%	20,160	0	0	Yes	No	-
The Bank of East Asia (China) Limited Tianjin Branch	Entrusted loan one-to-one	110,000	12 April 2017	10 April 2020	Fund on hand	Project development and construction	Contractually agreed	5.7%	18,810	0	0	Yes	No	-
Bank of Shanghai Co., Ltd. Puxi Sub-branch	Entrusted loan one-to-one	70,000	13 October 2017	14 October 2019	Fund on hand	Project development and construction	Contractually agreed	5.7%	7,980	764.75	0	Yes	No	-
The Bank of East Asia (China) Limited Tianjin Branch	Entrusted loan one-to-one	160,000	13 October 2017	10 October 2019	Fund on hand	Project development and construction	Contractually agreed	5.7%	18,240	0	0	Yes	No	-
The Bank of East Asia (China) Limited Tianjin Branch	Entrusted loan one-to-one	200,000	26 December 2017	26 December 2022	Fund on hand	Project development and construction	Contractually agreed	5.7%	57,000	0	0	Yes	No	-
The Bank of East Asia (China) Limited Tianjin Branch	Entrusted loan one-to-one	100,000	27 December 2017	27 December 2022	Fund on hand	Project development and construction	Contractually agreed	5.7%	28,500	0	0	Yes	No	-

Note: (1) Except for Bank of Shanghai which acts as trustee to receive interest on quarterly basis and to collect the principal upon maturity, principal and interest for other entrusted loans are paid in a lump upon maturity.

# SIGNIFICANT EVENTS

- (2) The original borrowers of the two entrusted loans totaling RMB2,300 million with commencement dates at 7 March 2017 and 12 April 2017 were companies included in the consolidated statements of MCC, which became companies not included in the consolidated statements of MCC in December 2017. Such entrusted loans became those borrowed to companies not included in the consolidated statement

(3) **Provisions for impairment of entrusted loans**

Applicable  Not Applicable

**(IV) Other material contracts**

Please see the section headed "Report of Directors" of the report for details of the material contracts signed by the Company during the Reporting Period.

## XVI. EXPLANATION ON OTHER SIGNIFICANT EVENTS

Applicable  Not Applicable

## XVII. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

**(I) Performance of poverty alleviation by the Company**

*1. Targeted poverty alleviation programs*

MCC assumed its responsibility of performing targeted poverty alleviation at Yanhe County and Dejiang County, Guizhou Province. Its targeted poverty alleviation work followed the five principles. First of all, it should adhere to the principle of "genuinely alleviate poverty and alleviate genuine poverty". Instead of being superficial in nature, all poverty alleviation initiatives should help population in actual poverty to improve their lives. Secondly, the logic of poverty alleviation is to help people learn to make a living, rather than offering direct relief. By responding to practical needs, MCC equipped the public with more survival and development techniques. Thirdly, poverty alleviation initiatives should be project-based, taking both local features and MCC's strengths into consideration. These projects should play a constructive and influential role in the development of poverty-affected regions, taking the lead to increase income of the public. Fourthly, the significance of talent related work to the development of poverty-affected regions should be fully recognized, through active poverty alleviation by means of education and trainings. Fifthly, taking into account the long-term interests of local public, poverty alleviation encourages protection on the green hills and blue waters, with insistence to avoid damage to the ecological environment.

Adhering to the principle of best endeavor, attainable capacity, outstanding precision and emergency tackling, MCC implemented poverty alleviation projects in Yanhe County and Dejiang County to cope with "Three Inadequacies" (lack of electricity, water and manpower) in 2017, based on plans proposed by the two counties, by launch of pilot programs in places with serious "Three Inadequacies" problems where urging public needs and predominant authority among the grass-root levels existed. 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.

# SIGNIFICANT EVENTS

## 2. Summary of targeted poverty alleviation for the year

### (1) High emphasis on targeted poverty alleviation work

Lin Jinzhen, the employee representative Director of the Company, is in charge of targeted poverty alleviation work. From 15 to 17 February 2017, he visited Dejiang County and Yanhe County of Guizhou Province, conducted research on poverty alleviation and problem-solving tasks, and sent the two temporary cadres of MCC for targeted poverty alleviation to report duty. He also visited Zhou Peicheng, an employee of China MCC 19 Group Co., Ltd. who served as the chief secretary of Zhonghua Village, Jiancha Town in Dejiang County for the time being, and donated RMB50 thousand to the village as relief fund for education assistance.

During the celebration activities from 7 to 9 November 2017 organized for the 30th anniversary of establishment of Yanhe Tujia Autonomous County, the Company sent its most heartfelt greetings to the county and designated key management members of MCC (Guizhou) Construction Investment Development Co., Ltd. (中冶貴州建設投資有限公司) to attend the activity on its behalf to enhance liaison with those organizations working for targeted poverty alleviation, explore more opportunities for project cooperation, thereby offering full support to the poverty alleviation and problem-solving work in Yanhe County.

### (2) Due appointment of temporary cadres for targeted poverty alleviation

As the Organization Department of the Central Committee of the CPC and the State Council Leading Group Office of Poverty Alleviation and Development require that central enterprises should appoint temporary cadres for poverty alleviation, MCC had a selection across the whole company to identify young, politically qualified and professionally competent candidates with strong sense of responsibility. These appointed candidates were sent to targeted alleviation counties to hold the temporary posts of deputy governor and “chief secretary” for the villages.

In February 2017, Chan Yuk and Xu Yi, the second batch of temporary cadres of MCC for targeted poverty alleviation, went to report their duties. In its greetings, the management team of the Company encouraged them to be open-minded and to learn from local cadres and people, gain an insight into county economy, and conduct poverty alleviation work in combination of their own and corporate strengths so as to make contributions during the two years' term.

The term of Zhou Peicheng, the chief secretary of Zhonghua Village, Jiancha Town in Dejiang County, expired at the end of June 2017. But she requested for an extension of office to complete the targeted poverty project in progress, and ended her term of office in the middle of August. Zhou Peicheng was consecutively named as “Outstanding Party Member” and “Outstanding Chief Secretary for the Village” of Jiancha Town of Dejiang County (德江縣煎茶鎮“優秀共產黨員”與“優秀村第一書記”), “Great Contributor to Poverty Alleviation” of Dejiang County (德江縣“社會扶貧先進個人”), “Outstanding Chief Secretary for the Village” of Tongren City, Guizhou Province (貴州省銅仁市“優秀村第一書記”), and “Outstanding Chief Secretary for the Village” of Guizhou Province (貴州省“優秀村第一書記”).

Yang Cong, who came from China First Metallurgical Group Co., Ltd. and served as the second “chief secretary” assigned by the Company, reported his duty at Dujiang Village, Siqu Town, Yanhe County in July 2017. By then, the Company has assigned temporary deputy governors and “chief secretary” for the village to Dejiang County and Yanhe County respectively.

# SIGNIFICANT EVENTS

## (3) Great efforts to promote targeted poverty alleviation projects

In 2017, MCC completed several poverty alleviation projects in Dejiang County. Firstly, it repaired walls of Jiancha Town Zhonghua Primary School, built new guardrails for protective purposes, constructed a 500-meter concrete road in front of the school gate, and bought student uniforms and school supplies. Secondly, MCC also built roads with total length of 1.3 kilometers to connect Xujiawan, Wanchang Group and Moziyan Group of Zhonghua Village. Thirdly, in Mulang Village of Tongjingxiang, MCC built roads with total length of 1,200 meters to connect each family, a new water pool of 30 m<sup>3</sup>, 600-meter drinking water pipelines, 1,100-meter drinking water pipes, and 600-meter drainage ditches. It also installed 15 solar street lights, built a 12 m<sup>3</sup> drinking water pool for farmers and livestock. Fourthly, in Qingyuan Village of Tongjingxiang, MCC hardened a 1-kilometer road that connects groups within the village, and built roads with total lengths of 1.2 kilometers to connect each family. Five new wells were built; 150 solar street lights were installed; water pipe network with a total length of 5 kilometers were built. Total investment amounted to RMB2.07 million.

In Yanhe County, MCC completed a number of poverty alleviation projects. Firstly, in environment improvement project was accomplished in Yutang Village, including renovation works for the layout and appearance of the village. Repair works were undergone for 50 timber framed buildings and 34 brick architectures for improving living conditions, and yards of 8,000 square meters and indoor trails of 4,000 meters were hardened. Secondly, MCC also implemented a recreational facility project in the village, built an event plaza of 1,000 square meters, with a stage of 30 square meters, together with other fitness equipment and basketball playgrounds. Total investment amounted to RMB3.36 million.

In addition, subsidiaries of the Company were committed to targeted poverty alleviation initiatives in provinces (municipalities) where they had operations, contributing an investment of RMB556,200 in targeted poverty alleviation. Seven industrial poverty alleviation projects involving an investment of RMB900 thousand were launched to help 568 registered needy people get out of poverty. RMB60 thousand was invested in vocational trainings, with headcounts of 188 participants, among which 118 acquired relevant vocational certificates. A sum of RMB200.5 thousand was allocated to education to help people fight against poverty. In addition, subsidiaries invested RMB695,000 in facility maintenance and equipment installation, and made in-kind donations amounted to RMB60 thousand.

### 3. Achievements of targeted poverty alleviation

Unit: RMB0'000

Indicator	Amount and details
I. Overall situation	
Including: 1. Funds	784.17
2. Worth of materials	6
3. Number of beneficiaries in recorded poor population ( <i>person</i> )	568
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 type="checkbox"/> E-commerce <input type="checkbox"/> Assets income <input type="checkbox"/> Science and technology <input checked="" type="checkbox"/> Other

# SIGNIFICANT EVENTS

Indicator	Amount and details
1.2 Number of industrial poverty alleviation projects ( <i>unit</i> )	7
1.3 Contribution to industrial poverty alleviation projects	90
1.4 Number of beneficiaries in recorded poor population ( <i>person</i> )	568
2. Poverty alleviation by transfer of employment	
Including: 2.1 Contribution to vocational skill training	6
2.2 Number of persons attending vocational skill training ( <i>person/times</i> )	188
3. Poverty alleviation by education	
Including: 3.1 Contribution to subsidize students in poverty	15.05
3.2 Number of students in poverty being subsidized ( <i>person</i> )	25
3.3 Contribution to improve education resources in poverty areas	5
4. Poverty alleviation by healthcare	
Including: 4.1 Contribution to medical and healthcare resources in poverty areas	6
5. Poverty alleviation in the society	
Including: 5.1 Contribution to targeted poverty alleviation work	598.62
6. Other projects	
Including: 6.1 Number of projects ( <i>unit</i> )	8
6.2 Amount of contribution	69.5

#### 4. Subsequent targeted poverty alleviation programs

According to the 2018 poverty alleviation programs of China Minmetals, the Company will optimize the targeted poverty alleviation work based on the actual condition of MCC. First of all, the Company planned to contribute not less than RMB1.5 million to each county so as to carry out the poverty alleviation programs at Yanhe County and Dejiang County, Guizhou Province on an on-going basis. In addition, the Company planned to make a contribution of not less than RMB0.5 million for the poverty alleviation program at Dujiang Village, Siqu Town, Yanhe County (where the chief secretary took his office). Specific programs to be put into practice shall be proposed by temporary cadres according to the local general deployment of targeted poverty alleviation work, which will be reported and subject to the approval of the Company. Contribution to the 2018 targeted poverty alleviation direct support programs amounted to not less than RMB3.5 million in total. Secondly, the Company will carry out poverty alleviation work through onsite research and visits. Led by Lin Jinzhen, the employee representative Director of MCC, the team planned to visit temporary cadres and poor residents at Yanhe County and Dejiang County, Guizhou Province, as well as conduct researches on the completed and tested poverty alleviation programs. Thirdly, the Company will carry out charity donation activities, planning to donate RMB50 thousand for improvement of teaching condition, including polishing the desks and chairs in schools; cooperate with China Foundation for Poverty Alleviation to carry out charity package donation activities under the spirit of the Youth Day; and call for its employees to donate winter clothes (quilts), books and toys for poor residents. Fourthly, the Company will select a new batch of temporary cadres to ensure that new temporary cadres will smoothly replace the temporary cadres for poverty alleviation of Xu Yi and Chan Yuk upon the expiration of their term of office.

## (II) Performance of social responsibilities

For details, please refer to the Corporate Social Responsibility Report for 2017 separately disclosed by the Company.



# SIGNIFICANT EVENTS

## (III) Information on environmental protection of the Company

### 1. Environmental protection of the Company and its subsidiaries categorized as major sewage discharge enterprises as published by the environmental protection department

In accordance with the Name List of Enterprises under Special Supervision or Enterprises with Significant Waste Disposal for 2017 published by the Ministry of Environmental Protection and provincial and municipal departments of environmental protection, one of the subsidiaries of the Company was incorporated in enterprises under special supervision of exhaust gas, one was incorporated into the list of enterprises under special supervision of wastewater treatment plants, and 26 sewage treatment plants controlled by 16 water companies were incorporated into the list of enterprises under special supervision of sewage treatment.

During the Reporting Period, each environmental protection facility of the Company was under normal operation, and the emission of key pollutants had reached the emission standard without excessive emission, achieving the objective of total emission reduction. In 2017, investment in environmental protection amounted RMB265 million, and a total of 217 million tons of sewage was treated for the year, representing a year-on-year increase of 18%. Emission of COD was reduced by 39,300 tons; emission of ammoniacal nitrogen was cut down by 5,000 tons. 1,200 tons of wastes were disposed every day, and these wastes were used to generate electricity of approximately 400,000 kWh.

Insisting on a scientific development concept of “protecting the environment with the help of technology and promoting development through energy conservation and emission reduction”, the Company firmly established a construction and production idea of “green construction and clean production”. Through optimization of systems, formulation of measures and refinement of responsibilities, the Company reduced energy consumption in the course of construction and production, enhanced the efficiency of energy utilization and protects the environment so as to fully accomplish the management objectives on energy conservation and environmental protection and to establish a resource-conserving and environment-friendly enterprise.

#### (1) Information about pollution discharge

No.	Company name	Discharge vent	Key pollutants	Emission standard	Actual emission	Total discharge rate	Discharge flow
1	Chuzhou Huatian Water Corporation MCC (滁州市中冶華天水務有限公司)	Vent from Chuzhou Huatian Water Corporation MCC WS-01904	COD, ammoniacal nitrogen	COD60mg/L, ammoniacal nitrogen 8(15)mg/L	COD30mg/L, ammoniacal nitrogen 3mg/L	102,700 tons/day	Qingliu River (清流河)
2	MCC Dingyuan Water Co., Ltd. (定遠縣中冶水務有限公司)	Vent from MCC Dingyuan Water Co., Ltd. Wastewater WS-50004	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD25.4mg/L, ammoniacal nitrogen 0.9mg/L	23,300 tons/day	Maqiao River of Dingyuan County (定遠縣馬橋河)
3	Funing District MCC Water Co., Ltd. (撫寧中冶水務有限公司)	Vent from Qinhuangdao Funing District MCC Water Co., Ltd. Wastewater WS-5010	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD24.6mg/L, ammoniacal nitrogen 0.6mg/L	46,238 tons/day	The Man Made River (人造河)
4	Huangshi Water Corporation MCC (黃石中冶水務有限公司)	Vent from Huangshi Water Corporation MCC	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD17.45mg/L, ammoniacal nitrogen 1.4mg/L	36,200 tons/day	Ci-hu Lake (磁湖)
5	Lai'an Huatian Water Corporation MCC (來安縣中冶華天水務有限公司)	Vent from Lai'an Huatian Water Corporation MCC Wastewater WS-06998	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD34.42mg/L, ammoniacal nitrogen 1.0mg/L	49,176 tons/day	Lai River (來河)
6	Cha He Water Treatment Plant of Laian Huatian Water Corporation MCC (來安縣中冶華天水務有限公司漢河污水處理廠)	Vent from Cha He Water Treatment Plant (漢河污水處理廠) WS-06902	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD22.35mg/L, ammoniacal nitrogen 1.16mg/L	10,674 tons/day	Chu River (滁河)
7	Lu'an Water Corporation MCC (六安市中冶水務有限公司)	Vent from Lu'an Water Corporation MCC Wastewater WS-00075	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD20mg/L, ammoniacal nitrogen 0.33mg/L	7,975 tons/day	Su Da Yan (蘇大堰)

# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Key pollutants	Emission standard	Actual emission	Total discharge rate	Discharge flow
8	Ma'anshan MCC Water Corporation (馬鞍山中冶水務有限公司)	Ma'anshan MCC Huatian Water Corporation (馬鞍山中冶華天水務有限公司) WS-090801	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD19.63mg/L, ammoniacal nitrogen 0.35mg/L	8,230 tons/day	Xiangcheng River (襄城河)
9	MCC Qinhuangdao Water Co., Ltd. (中冶秦皇島水務有限公司)	Vent from Shanhaiguan Water Treatment Plant (山海關污水廠)	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD16.82mg/L, ammoniacal nitrogen 0.55mg/L	31,403 tons/day	To the sea through Chao River (經潮河入海)
10	Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司)	Vent outside the plant of Shouguang North Water Corporation MCC	COD, ammoniacal nitrogen	COD45mg/L, ammoniacal nitrogen 4.5mg/L	COD32mg/L, ammoniacal nitrogen 0.79mg/L	43,390 tons/day	Zhangseng River (張僧河)
11	Shouguang MCC Huatian Water Co., Ltd. (壽光市中冶華天水務有限公司)	Vent from Shouguang MCC Huatian Water Co., Ltd. WS-37078309	COD, ammoniacal nitrogen	COD40mg/L, ammoniacal nitrogen 2mg/L	COD38.8mg/L, ammoniacal nitrogen 1.1mg/L	120,110 tons/day	Xiaoqing River (小清河)
12	Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司)	Main vent from Tianchang Plant (天長廠) WS-009	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD26.8mg/L, ammoniacal nitrogen 1.0mg/L	51,500 tons/day	Chuanqiao River (川橋河)
13	Wastewater Treatment Plant of Economic Development Zone of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司經濟區污水處理廠)	Main vent from plant of Economic Development Zone (經濟區廠) WS-04303	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD31.1mg/L, ammoniacal nitrogen 0.3mg/L	15,200 tons/day	Chuanqiao River (川橋河)
14	Qinlan Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司秦欄鎮污水處理廠)	Main vent from Qinlan Plant (秦欄廠)	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD24.1mg/L, ammoniacal nitrogen 1.4mg/L	5,977.2 tons/day	Qinlan River (秦欄河)
15	Tianchang Huatian Water Corporation MCC (Tongcheng Plant) (天長市中冶華天水務(銅城廠))	Main vent from Tongcheng Plant (銅城廠) WS-04305	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD25.4mg/L, ammoniacal nitrogen 1.0mg/L	6,300 tons/day	Tonglong River (銅龍河)
16	Yangcun Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司楊村鎮污水處理廠)	Main vent from Yangcun Plant (楊村廠) WS-04306	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD30.8mg/L, ammoniacal nitrogen 1.8mg/L	4,900 tons/day	Yi Lake (沂湖)
17	MCC Xinglong Water Co., Ltd. (興隆縣中冶水務有限公司)	Vent of disinfecting tank from MCC Xinglong Water Co., Ltd. WS-001	COD, ammoniacal nitrogen	COD50mg/L, ammoniacal nitrogen 5(8)mg/L	COD15.31mg/L, ammoniacal nitrogen 2.06mg/L	24,680 tons/day	Liu River (柳河)
18	MCC Changle Water Co., Ltd. (長樂市中冶水務有限公司)	Vent from Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水務有限公司) WS-26616	COD, ammoniacal nitrogen	COD60mg/L, ammoniacal nitrogen 8(15)mg/L	COD39.6mg/L, ammoniacal nitrogen 0.44mg/L	27,043 tons/day	Ming River (閩江)
19	MCC Xuancheng Water Co., Ltd. (宣城市中冶水務有限公司)	Vent from MCC Xuancheng Water Co., Ltd. Wastewater	/	/	/	/	Shuiyang River (水陽江)

# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Key pollutants	Emission standard	Actual emission	Total discharge rate	Discharge flow
20	Baoxie Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司豹澥污水處理廠)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澥污水處理廠)	PH	6~9	7.49	711.9m <sup>3</sup> /h	Yangtze River
			COD	≤50mg/L	12.2		
			NH3-N	≤5(8)mg/L	0.71		
			TP	≤0.5mg/L	0.24		
21	Beijing Zhongshe Water Treatment Co., Ltd. (北京中設水處理有限公司)	Main vent from Beijing Zhongshe Water Treatment Co., Ltd. (Phase I)	COD	50	25	11,595m <sup>3</sup> /h	Ciwei River (刺鴉河)
			ammoniacal nitrogen	5(8)	0.54		
		Main vent from Beijing Zhongshe Water Treatment Co., Ltd. (Phase II)	Total Phosphorus	0.50	0.21	1,885m <sup>3</sup> /h	Ciwei River (刺鴉河)
			COD	20	16		
22	Lanzhou Zhongtuo Water Corporation (蘭州中投水務有限公司)	Vent from Lanzhou Yan'er'wan Wastewater Treatment Plant (蘭州雁兒灣污水處理廠)	ammoniacal nitrogen	1.0(1.5)	0.4	8,080m <sup>3</sup> /h	Yellow River
			Total Phosphorus	0.20	0.19		
			COD	60	23.5		
23	Xiaogan Zhongshe Water Co., Ltd. (孝感中設水務有限公司)	Vent from Xiaogan Wastewater Treatment Plant (孝感市污水處理廠)	ammoniacal nitrogen	8(15)	3.5	5,313m <sup>3</sup> /h	Huaiyin River (槐蔭河)
			Total Phosphorus	1	0.34		
			COD	60	19.7		
24	Wenxian Zhongtuo Water Co., Ltd. (溫縣中投水務有限公司)	Main vent from Wenxian Wastewater Treatment Plant (溫縣污水處理廠)	COD	50	35	2,374m <sup>3</sup> /h	Laomang River (老蟒河)
			ammoniacal nitrogen	5(8)	2.5		
25	Changzhou Enfi Water Co., Ltd. (常州恩菲水務有限公司)	Main vent from Wastewater Treatment Plant, Changzhou Textile Industrial Park (常州紡織工業園污水處理廠)	COD	60	48.5	1,156m <sup>3</sup> /h	Cailling Port (采菱港)
			ammoniacal nitrogen	5	0.29		
			Total Phosphorus	0.5	0.15		
26	Zhejiang Chunnan Sewage Treatment Co., Ltd. (浙江春南污水處理有限公司)	Main vent from Zhejiang Chunnan Sewage Treatment Co., Ltd.	COD	60	50.8	4,483m <sup>3</sup> /h	Yang Pu Qu (洋浦渠)
			ammoniacal nitrogen	5	0.82		
			Total Phosphorus	0.5	0.04		
27	Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩菲環保能源有限公司)	Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant (襄陽恩菲垃圾焚燒電廠) # 1	SO <sub>2</sub>	80	21.21	0.7683kg/h	Air
			NO <sub>x</sub>	250	143.72	5.2065kg/h	Air
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant (襄陽恩菲垃圾焚燒電廠) # 2	Smoke and dust	20	12.07	0.4373kg/h	Air
			SO <sub>2</sub>	80	19.9	0.7209kg/h	Air
		NO <sub>x</sub>	250	148.67	5.3859kg/h	Air	
			Smoke and dust	20	9.455	0.3425kg/h	Air
28	Luoyang Silicon High Technology Company Limited (洛陽中矽高科技有限公司)	Wastewater vent	COD	500mg/L	30.86mg/L	From city's sewer network to wastewater treatment plant in New District	
			ammoniacal nitrogen	/	0.43mg/L		
		Chimney of Acid Fume Purification Tower (酸霧淨化塔)	NO <sub>x</sub>	240	53.6mg/Nm <sup>3</sup>		0.8844kg/h

# SIGNIFICANT EVENTS

## (2) Construction and operation of pollution prevention facilities

- ① China Silicon Corporation Ltd. adopted classified treatment and centralized discharge for wastewater treatment, set up one acid water treatment facility (treating wastewater produced from exhaust washing tower, rinsing of corrosion process and neutralizing of flash evaporation residue), one fluorine water treatment facility (treating wastewater from corrosion process and acid fume washing tower) and one municipal solid waste treatment facility.
- ② Xiangyang Enfi Environmental Protection Energy Co., Ltd. applied the world-leading Hitachi Zosen incinerator technology to ensure stable incineration of municipal solid waste and generate clean energy. Sophisticated technology up to the international standard was adopted in its environmental protection system. The standard for smoke and dust emission was much higher than those required by the State, in compliance with the requirements as set out in *Standard for Pollution Control On the Municipal Solid Waste Incineration* (GB 18485-2014).
- ③ Each water treatment company attaches high importance to energy conservation and consumption reduction, and requires that water discharge must meet requirements as set out in *Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant* (GB18918-2002). Water treatment companies also reinforce their technology innovation and continue to develop new techniques and products. Companies choose to recycle carbon source to reduce usage of catalyst, and develop a smart water management platform by incorporating Internet technology. Through refinement management and optimization of control strategy, water companies cut down energy consumption and usage of catalyst. In particular, Huatian Engineering & Technology Corporation, MCC was honored four national patents by the advanced paper-making wastewater treatment process, and applied such process into Shouguang 120,000 t/d wastewater treatment plant, offering technology support to Shouguang Wastewater Treatment Plant for meeting COD discharge standards. In addition, the process of denitrogenation and dephosphorization with low carbon source was awarded as one of best national patents, and was applied into Tianchang 60,000 t/d Wastewater Treatment Plant. With such technology, Tianchang Wastewater Treatment Plant does not require any additional carbon source in denitrogenation and dephosphorization process any more, and will be able to meet TN and TP standards.

## (3) Environmental impact assessment and other permits granted by environmental protection administrative departments

All members of the Company have obtained approval from relevant environmental protection departments in respect of environmental impact assessment.

## (4) Contingency plans for environmental emergencies

All water treatment companies have worked out contingency plans for environmental emergencies. During the Reporting Period:

The contingency plan for environmental emergencies set out by one branch of China Silicon Corporation Ltd. was filed with Luoyang Environmental Protection Bureau, Luoyang Urban and Rural Integration Commission and Bureau of Land and Resources of Luoyang on 9 January 2017, with reference number of 410311-2017-H-1.

The contingency plan for environmental emergencies set out by Xiangyang Enfi Environmental Protection Energy Co., Ltd. was filed with Xiangyang Environmental Protection Bureau Xiangcheng District Branch Office on 15 August 2017, with reference number of 420602-2017-003-M.

# SIGNIFICANT EVENTS

## (5) Environmental self-monitoring plans

- ① The *Management Measures about Online Monitoring System of Wastewater Treatment Plant* (《污水廠在線監測系統管理辦法》) was formulated to guarantee that construction, operation and maintenance of online monitoring system in each water company can meet relevant standards, thereby ensuring the objectiveness, truthfulness, promptness and effectiveness of monitoring data. Online monitoring data of each wastewater treatment plant was connected to monitoring systems of local environmental protection authorities via the Internet.
- ② The *Corporate Self-Monitoring Plan 2017* (《2017年企業自行監測方案》) prepared by one branch of China Silicon Corporation Ltd. in January 2017 was published on *Luoyang Self-Monitoring and Disclosure System for Enterprises under Special Supervision* (《洛陽市國家重點監控企業自行監測與信息公開系統》). In January 2018, *Corporate Self-Monitoring Report 2017* (《2017年企業年度監測報告》) was published on the same system.

## (6) Other information about environmental protection

MCC Qinhuangdao Water Co., Ltd. is a key project under the blueprint of *Plan on Municipal Wastewater Treatment and Recycling Facility Construction During "Eleventh Five-Year Plan" Period* (《全國城鎮污水處理及再生設施建設“十一五”規劃》), and the water pollution prevention and energy conservation initiatives of “Clear Bohai Sea” and “Three Rivers and Three Lakes”. In June 2011 and September 2011, Qinhuangdao Water was honored as “Great Contributor of Hebei Province in the Emission Reduction Program for ‘Eleventh Five-Year Plan’ Period” (“河北省十一五減排工作先進企業”) and “Great Contributor of Qinhuangdao in the Emission Reduction Program for ‘Eleventh Five-Year Plan’ Period” (“秦皇島十一五減排工作先進企業”) respectively by The People’s Government of Hebei Province and Qinhuangdao People’s Government.

In July 2017, Lanzhou Yan'erwan Wastewater Treatment Plant of China ENFI Engineering Corporation (中國恩菲工程技術有限公司蘭州雁兒灣污水處理廠) entered into a water quality monitoring agreement with a third-party monitoring agency.

Five wastewater treatment companies controlled by Huatian Engineering & Technology Corporation, MCC passed the corporate environmental credibility assessment of Anhui Province. Three wastewater treatment plants under Lai'an and Tianchang were named as Environmental Credible Enterprises of Anhui Province (安徽省環保誠信企業); two wastewater treatment plants under Chuzhou and Lu'an were named as Environmental Friendly Enterprises (環保良好企業).

Lu'an Water Corporation MCC won the second prize in group competition on “Lu'an 1st Vocational Competition of Municipal Wastewater Treatment Sector” (“首屆六安市城鎮污水行業職業技能競賽”), which was jointly sponsored by Lu'an Federation of Trade Unions (六安市總工會), Lu'an Human Resources and Social Security Bureau (六安市人力資源和社會保障局), Lu'an Municipal Commission of Housing and Urban-Rural Development (六安市住房和城鄉建設委員會) and Lu'an Urban Administrative Bureau (六安市城市綜合管理局) on 15 to 17 November 2017.

China Silicon Co., Ltd. (洛陽中硅高科技有限公司) submitted to the *Hebei Enterprise and Public Institution Environmental Disclosure System* (《河南省企事業單位環境信息管理系統》) and made announcement every month, and reported to the *Environmental Statistics Reporting System for Enterprises under Special Supervision* (《國家重點監控企業的環境統計直報系統》) and made announcement on a quarterly basis.

All water treatment companies have timely submitted environment monitoring data to the online self-monitoring disclosure platform for enterprises under special supervision.

## 2. Companies not categorized as major sewage discharge enterprises

Applicable  Not Applicable

## XVIII. 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

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

Unit: share

	Before change		Issue of new shares	Bonus shares	Change (+/-) Capital reserve transferred to shares	Others	Subtotal	After change	
	Number	Percentage (%)						Number	Percentage (%)
I. Shares subject to selling restrictions	0	0	1,613,619,170	0	0	0	1,613,619,170	1,613,619,170	7.79
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares owned by state-owned legal person	0	0	24,762,154	0	0	0	24,762,154	24,762,154	0.12
3. Other domestically-owned shares	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
Including: shares held by domestic non-state-owned legal person	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
shares held by domestic natural person	0	0	0	0	0	0	0	0	0
4. Foreign shareholding	0	0	0	0	0	0	0	0	0
Including: shares held by overseas legal person	0	0	0	0	0	0	0	0	0
shares held by overseas natural person	0	0	0	0	0	0	0	0	0
II. Tradable shares not subject to selling restrictions	19,110,000,000	100.00	0	0	0	0	0	19,110,000,000	92.21
1. RMB-denominated ordinary shares	16,239,000,000	84.98	0	0	0	0	0	16,239,000,000	78.36
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas-listed foreign shares	2,871,000,000	15.02	0	0	0	0	0	2,871,000,000	13.85
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of ordinary shares	19,110,000,000	/	1,613,619,170	0	0	0	1,613,619,170	20,723,619,170	/

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

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

## 2. Explanation on the changes in ordinary shares

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

## CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

### 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)

Applicable  Not Applicable

#### (II) Changes in shares subject to selling restrictions

Unit: share

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

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

## II. ISSUANCE AND LISTING OF SECURITIES

### (I) Issuance of securities for the Reporting Period

Unit: Share Currency: RMB

Type of shares and its derivatives	Issuance date	Issue price (or interest rate)	Number of shares issued	Listing date	Number of shares approved for listing and trading	Termination date of transaction
Ordinary Share A shares	2016-12-26	3.86	1,613,619,170	2017-1-6	1,613,619,170	–



# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Explanation on the issuance of securities for the Reporting Period:

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

Pursuant to the approval by the Shareholders at the 2016 First Extraordinary General Meeting, the 2016 First A Shareholders' Class Meeting and the 2016 First H Shareholders' Class Meeting, having received the *Approval in relation to the Non-public Issuance of Shares by Metallurgical Corporation of China Ltd.* (Zheng Jian Xu Ke [2016] No. 1794) from the China Securities Regulatory Commission, the Company started the non-public issuance of RMB-denominated 1,613,619,170 A Shares with a nominal value of RMB1 each to specific investors on 26 December 2016, at the issue price of RMB3.86 per share. On 30 December 2016, the Company received the proceeds raised from the non-public issuance of A Shares paid by specific investors with a net amount of RMB6,173 million.

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

Particulars are set out as below:

Unit: RMB'000

<b>Project</b>	<b>Replacement of funds previously invested</b>	<b>Invested project funds</b>	<b>Total in 2017</b>
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)	75,144	65,739	<b>140,883</b>
Luzhou Airport Road Construction Project (瀘州空港路建設項目)	27,236	6,879	<b>34,115</b>
Zhanjiang Iron and Steel Environmental Protection Project (湛江鋼鐵環保項目)	32,858	9,535	<b>42,393</b>
Wang Jia Xin Cheng Phase II (王家馨城二期項目)	54,963	148	<b>55,111</b>
Mantang Jiayuan Project (滿堂家園項目)	15,670	5,440	<b>21,110</b>
Replenishment of liquidity and repayment of bank loans	–	181,349	<b>181,349</b>
<b>Sub-total</b>	<b>205,871</b>	<b>269,090</b>	<b>474,961</b>

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

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

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

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## (III) Existing internal employee shares

During the Reporting Period, the Company did not have existing internal employee shares.

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

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

Unit: Share

Name of Shareholder (full name)	Change during the reporting period	Shareholding of the top 10 Shareholders		Number of Shares subject to selling restrictions	Pledged or frozen		Nature of Shareholder
		Number of Shares held at the end of the period	Percentage (%)		Status of Shares	Number	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	0	12,265,108,500	59.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) <sup>(2)</sup>	717,000	2,842,482,000	13.72	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	607,033,538	912,097,948	4.40	0	Nil	0	State-owned legal person
Huatai Asset Management Company Ltd. – Strategic Investment Products (華泰資產管理有限公司-策略 投資產品)	185,220,207	185,220,207	0.89	185,220,207	Nil	0	Others
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	181,345,336	0.88	181,345,336	Nil	0	Others
Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust – Bohui No. 45 Collective Fund Trust (鵬華資產 – 招商銀行 – 華潤 深國投信託 – 華潤信託 • 博普45號 集合資金信託計劃)	161,580,310	161,580,310	0.78	161,580,310	Nil	0	Others

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Name of Shareholder (full name)	Change during the reporting period	Shareholding of the top 10 Shareholders			Pledged or frozen		
		Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Status of Shares	Number	Nature of Shareholder
CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi International Investment – Haitang No. 2 Directional Investment Collective Fund Trust (建信基金－工商銀行－陝西國際 信託－陝國投●海棠2號定向投資 集合資金信託計劃)	161,404,041	161,404,041	0.78	161,404,041	Nil	0	Others
Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際 信託有限公司－雲南信託－華浩1號 集合資金信託計劃)	161,404,041	161,404,041	0.78	161,404,041	Nil	0	Others
Lion Fund – Industrial Securities – Nanjing Shuang’an Asset Management Co., Ltd. (諾安基金－興業證券－南京雙安 資產管理有限公司)	161,401,139	161,401,139	0.78	161,401,139	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person

## Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	12,265,108,500	RMB-denominated ordinary shares	12,265,108,500
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	2,842,482,000	Overseas-listed foreign shares	2,842,482,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	912,097,948	RMB-denominated ordinary shares	912,097,948
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Bosera Fund – Agricultural Bank of China – Bosera CSI Financial Assets Management Scheme (博時基金－農業銀行－博時中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
E-Fund – Agricultural Bank of China – E-Fund CSI Financial Assets Management Scheme (易方達基金－農業銀行－易方達中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Da Cheng Fund – Agricultural Bank of China – Da Cheng CSI Financial Assets Management Scheme (大成基金－農業銀行－大成中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Harvest Fund – Agricultural Bank of China – Harvest CSI Financial Assets Management Scheme (嘉實基金－農業銀行－嘉實中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300

# 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 held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
GF Fund – Agricultural Bank of China – GF CSI Financial Assets Management Scheme (廣發基金－農業銀行－廣發中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Lombarda China Fund – Agricultural Bank of China – Lombarda China CSI Financial Assets Management Scheme (中歐基金－農業銀行－中歐中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
China Asset Management – Agricultural Bank of China – Huaxia CSI Financial Assets Management Scheme (華夏基金－農業銀行－華夏中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
Yinhua Fund – Agricultural Bank of China – Yinhua CSI Financial Assets Management Scheme (銀華基金－農業銀行－銀華中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
CSAM – Agricultural Bank of China – CSAM CSI Financial Assets Management Scheme (南方基金－農業銀行－南方中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300
ICBC Credit Suisse Fund – Agricultural Bank of China – ICBC Credit Suisse CSI Financial Assets Management Scheme (工銀瑞信基金－農業銀行－工銀瑞信中證金融資產管理計劃)	23,939,300	RMB-denominated ordinary shares	23,939,300

Explanations on the connections or parties acting in concert among the aforesaid Shareholders  
Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held

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 Shareholders as of 31 December 2017.

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

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

Name of Shareholder who No. is subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading		
		Time available for listing and trading	Number of additional shares available for listing and trading	Trading restrictions
1 Huatai Asset Management Company Ltd. – Strategic Investment Products (華泰資產管理有限公司－策略投資產品)	185,220,207	6 January 2018	185,220,207	12 months
2 Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	6 January 2018	181,345,336	12 months
3 Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust • Bohui No. 45 Collective Fund Trust (鵬華資產－招商銀行－華潤深國投信託－華潤信託 • 博蒼45號集合資金信託計劃)	161,580,310	6 January 2018	161,580,310	12 months

Unit: share

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

No.	Name of Shareholder who is subject to selling restrictions	Number of shares held subject to selling restrictions	Shares subject to selling restrictions available for listing and trading		Trading restrictions
			Time available for listing and trading	Number of additional shares available for listing and trading	
4	CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi International Investment • Haitang No. 2 Directional Investment Collective Fund Trust (建信基金–工商銀行–陝西國際信託–陝國投 • 海棠2號定向投資集合資金信託計劃)	161,404,041	6 January 2018	161,404,041	12 months
5	Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際信託有限公司–雲南信託–華浩1號集合資金信託計劃)	161,404,041	6 January 2018	161,404,041	12 months
6	Lion Fund – Industrial Securities – Nanjing Shuang’an Asset Management Co., Ltd. (諾安基金–興業證券–南京雙安資產管理有限公司)	161,401,139	6 January 2018	161,401,139	12 months
7	Caitong Fund – China Everbright Bank – China Galaxy Securities Co., Ltd. (財通基金–光大銀行–中國銀河證券股份有限公司)	51,806,010	6 January 2018	51,806,010	12 months
8	Caitong Fund – ICBC – Beijing Hesheng Qiantong Investment Co., Ltd. (財通基金–工商銀行–北京和盛乾通投資有限公司)	43,142,798	6 January 2018	43,142,798	12 months
9	Caitong Fund – Industrial Bank – Shanghai Guoxin Investment & Development Co., Ltd. (財通基金–興業銀行–上海國鑫投資發展有限公司)	38,854,508	6 January 2018	38,854,508	12 months
10	Caitong Fund – ICBC – Zhongxinjian Merchant Equity Investment Co., Ltd. (財通基金–工商銀行–中新建招商股權投資有限公司)	38,854,508	6 January 2018	38,854,508	12 months
11	Caitong Fund – ICBC – Huarong International Trust – Huarong • Yuance Fixed Gain Fund Advantage Portfolio Single Fund Trust (財通基金–工商銀行–華融國際信託–華融 • 遠策定增優勢組合單一資金信託)	38,854,508	6 January 2018	38,854,508	12 months
Explanations on the connections or parties acting in concert among the aforesaid Shareholders		The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders			

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

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

Applicable  Not Applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## IV. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS

### (I) Controlling Shareholder

#### 1. Legal person

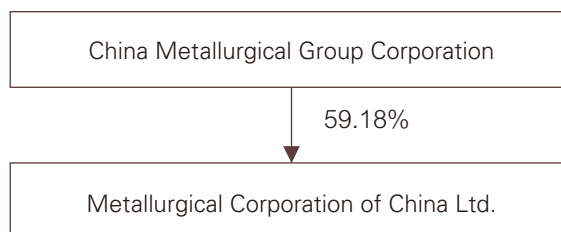
Name	China Metallurgical Group Corporation
Person in charge or legal representative	Guo Wenqing
Date of incorporation	18 December 1982
Principal business operations	Scope of business operations: General contracting of various kinds of domestic and international engineering; various kinds of engineering 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, China Metallurgical Group Corporation had equity interests of 27% in MCC Huludao Nonferrous Metals Group Co., Ltd., which in turn had a shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (000751).

#### 2. Index and date of changes in controlling shareholders during the Reporting Period

During the Reporting Period, there were no changes in controlling shareholders.

## CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

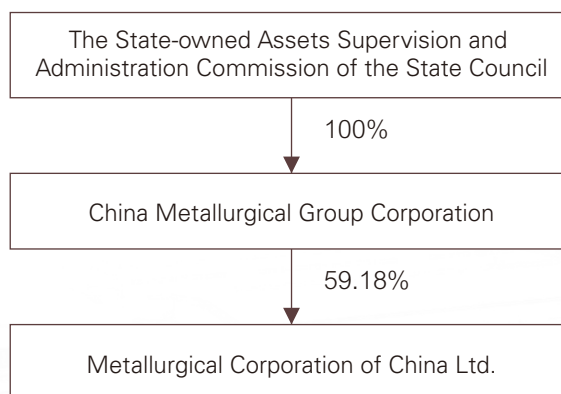
3. *Diagram of the equity and controlling relationship between the Company and the controlling shareholder*



### (II) De Facto Controllers

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

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



On 8 December 2015, the Company received a notice from MCC Group that, pursuant to an overall arrangement made by the Central Committee of the Communist Party of China and the State Council on the comprehensively deepening reform and the general requirements of the reform of state-owned enterprises, the SASAC of the State Council approved the strategic restructuring between MCC Group and China Minmetals, 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 industrial and commercial registration 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) Directors', Supervisors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2017, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive 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) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors or Supervisors pursuant to the Model Code or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

*Unit: share*

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
<b>Directors</b>							
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
<b>Supervisors</b>							
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
<b>Chief executive (President)</b>							
Zhang Mengxing	President	A Shares	Long position	Beneficial owner	60,032	0	0



## CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

Save as disclosed above, as at 31 December 2017, as far as the Company is aware, none of the Directors, Supervisors or the chief executive 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 were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

### (II) Other senior management's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2017, as far as the Company is aware, interests of other senior management of the Company in the shares 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 number of 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

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

As at 31 December 2017, the Company was informed that the following persons 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	68.70	59.18

# 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	143,730,427	Long position	5.01	0.69

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2017, in accordance with the register required to be kept under Section 336 of the SFO, no other person or corporation has an interest or short position in the Company's share capital that would require disclosure 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

Saved as disclosed elsewhere in the report, 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. 29 March 2018), 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 <sup>(Note)</sup>	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	53	2014-11-13	Till the expiry date of the term of office of the second session of the Board	130,000	130,000	0	-	-	Yes
Zhang Zhaoxiang	Vice chairman and executive Director	Male	54	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	-	-	Yes
Jing Tianliang	Non-executive Director	Male	72	2014-11-13	Till the expiry date of the term of office of the second session of the Board	117,500	117,500	0	-	11.90	No
Yu Hailong	Independent Non-executive Director	Male	67	2014-11-13	Till the expiry date of the term of office of the second session of the Board	0	0	0	-	14.80	No
Ren Xudong	Independent Non-executive Director	Male	64	2014-11-13	Till the expiry date of the term of office of the second session of the Board	0	0	0	-	13.60	No
Chan Ka Keung Peter	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	-	14.20	No
Lin Jinzhen	Employee representative Director	Male	56	2014-11-13	Till the expiry date of the term of office of the second session of the Board	60,000	60,000	0	-	94.52	No
Yan Aizhong	Supervisor	Male	50	2016-8-23	Till the expiry date of the term of office of the second session of the Supervisory Committee	0	0	0	-	92.43	No
Peng Haiqing	Supervisor	Male	46	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	-	18.64	No
Shao Bo	Employee Representative Supervisor	Male	54	2014-11-13	Till the expiry date of the term of office of the second session of the Supervisory Committee	34,800 <sup>(1)</sup>	34,800 <sup>(1)</sup>	0	-	87.40	No
Zhang Mengxing	President	Male	54	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	-	124.27	No
Wang Yongguang	Vice President	Male	59	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	-	111.04	No
Zou Hongying	Vice President and Chief Accountant	Female	53	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	-	115.94	No

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position <sup>(Note1)</sup>	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
Wang Shilei	Vice President	Male	50	2016-10-26	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	44.40 <sup>(3)</sup>	No
Qu Yang	Vice President	Male	47	2016-10-26	Till the appointment of the next session of senior management by the next session of the Board	70,000 <sup>(2)</sup>	70,000 <sup>(2)</sup>	0	-	70.26	No
Li Yuzhuo	Secretary to the Board	Female	45	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	-	94.52	No
Total	/	/	/	/	/	738,832	738,832	0	/	907.92	/

Note (1): Mr. Shao Bo directly held 33,800 A Shares of the Company, and his spouse held 1,000 A Shares of the Company.

Note (2): The Shares of the Company held by Mr. Qu Yang are H Shares.

Note (3): Mr. Wang Shilei has received remuneration from the Company's office for his position as the vice President of the Company since April 2017. The disclosure period of remuneration was from April to December 2017.

### 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, 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. 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 professor-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, an executive Director and secretary of the Communist Party Committee of the Company, and concurrently the deputy general manager of China Minmetals, 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 Nonferrous 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 and the President of the Company from June 2014 to May 2015. He served as an executive Director, the President and deputy secretary of the Communist Party Committee of the Company from May 2015 to October 2016, Vice Chairman, an executive Director and secretary of the Communist Party Committee of the Company from October 2016 (during the period, he served as general manager and deputy secretary of the Communist Party Committee of the MCC Group from April 2015, and deputy general manager of China Minmetals from June 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 &amp; Investment Corporation (國家開發投資公司). He served as deputy director of the Ministry of Coal Industry (煤炭工業部), the Ministry of Energy Resources (國家能源局) and China National Coal 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 &amp; 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 &amp; Investment Corporation (國家開發投資公司), and general manager of State Development &amp; Investment (Electronics) Corporation (國投電子公司) and State Development &amp; 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 Corporation Limited (中國航天科工集團有限公司) 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 &amp; 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 &amp; 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 an assistant to the president, 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 &amp; 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, and has been an assistant to the president of MCC since May 2017. Mr. Yan graduated from the mechanical and electrical engineering department of Baotou Iron &amp; 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. 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 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 a master's degree 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 &amp; 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 &amp; 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 &amp; 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. 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, and has concurrently acted as the chairman of MCC International Incorporation Ltd. from May 2015 to October 2017. 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 &amp; Metallurgy, deputy director of the mining department of the Copper and Nickel Office of China National Nonferrous Metals Industry Corporation (中國有色金屬工業總公司), deputy director of the enterprise management department, manager of the Gansu Branch, director of the Information Center, director-level commissioner 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 &amp; 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 &amp; 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 &amp; 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	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, a 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, and deputy chief accountant of MCC Group. Ms. Zou graduated from East China Institute of Technology and subsequently obtained an MBA degree. She is a senior accountant.
Wang Shilei	Born in March 1967, Chinese nationality with no right of abode overseas, Mr. Wang is currently a vice President of the Company. 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.
Qu Yang	Born in May 1970, Chinese nationality with no right of abode overseas, Mr. Qu is currently a vice President of the Company. 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 acted as an assistant to the president of MCC from November 2014 to October 2016 and served as the chairman of MCC Asset Management Co., Ltd. from November 2014 to October 2017. He has been servicing as a vice President of the Company 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.

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Li Yuzhuo	Born in December 1972, Chinese nationality with no right of abode overseas, Ms. Li currently serves as secretary to the Board and a director 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. 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). From October 2013 to September 2014, she served as vice general manager and director of the finance department (concurrent position) of China ENFI Engineering Corporation. From September 2014 to June 2015, she served as deputy general manager of China ENFI Engineering Corporation. She has been the director of the capital department of the Company from June 2015 to September 2017. 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.

## (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) Secretary of the Communist Party Committee	August 2014 April 2015	- -
Zhang Zhaoxiang	China Metallurgical Group Corporation	General manager Deputy secretary of the Communist Party Committee	April 2015 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	-

### (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	-

## PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Name of other entities	Position in other entities	Commencement date of term of office	End date of term of office
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 Nonfermet 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 Corporation Limited (中國航天科工集團有限公司)	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 Zou Hongying	China Minmetals Corporation	Deputy director of chief finance department	September 2016	-
	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 Li Yuzhuo	MCC Asset Management Co., Ltd.	Chairman	November 2014	October 2017
	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 2017 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 of the Company are remunerated in accordance with management regulations of higher authorities and the administrative measures for remuneration of senior management of the Company.
Remuneration actually paid to Directors, Supervisors and senior management	RMB9,079,225.60
Total actual remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB9,079,225.60

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

The remuneration of Directors and Supervisors of the Company in 2017 was as follows:

Unit: RMB

Name	Basic salary, housing allowances, other allowances and benefits-in-kind	Pension scheme contributions (Pension Insurance borne by the Company)	Performance remuneration	Total annual remuneration
Guo Wenqing	-	-	-	-
Zhang Zhaoxiang	-	-	-	-
Jing Tianliang	119,040.00	-	-	119,040.00
Yu Hailong	148,020.00	-	-	148,020.00
Ren Xudong	136,020.00	-	-	136,020.00
Chan Ka Keung Peter	142,020.00	-	-	142,020.00
Lin Jinzhen	477,227.00	50,235.24	417,700.00	945,162.24
<b>Sub-total of Directors</b>	<b>1,022,327.00</b>	<b>50,235.24</b>	<b>417,700.00</b>	<b>1,490,262.24</b>
Yan Aizhong	440,327.00	50,235.24	433,744.00	924,306.24
Peng Haiqing	120,804.00	16,156.08	49,400.00	186,360.08
Shao Bo	469,207.00	50,235.24	354,520.00	873,962.24
<b>Sub-total of Supervisors</b>	<b>1,030,338.00</b>	<b>116,626.56</b>	<b>837,664.00</b>	<b>1,984,628.56</b>
<b>Total</b>	<b>2,052,665.00</b>	<b>166,861.80</b>	<b>1,255,364.00</b>	<b>3,474,890.80</b>

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

Applicable  Not Applicable

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

Applicable  Not Applicable

## VI. EMPLOYEES OF THE PARENT AND PRINCIPAL SUBSIDIARIES

### (I) Employees

Number of existing staff of the Company	189
Number of existing staff of principal subsidiaries	97,582
Total numbers of existing staff	97,771
Number of resigned or retired people of the Company	130,779

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## *Composition of Professionals*

<b>Categories of Professionals</b>	<b>Number of Professionals</b>
Engineering contracting	87,958
Property development	1,299
Equipment manufacture	6,964
Resource development	964
Others	586
Total	97,771

## *Educational Level*

<b>Categories of Educational Level</b>	<b>Number (in persons)</b>
Above Graduate Degree	9,936
Undergraduate Degree	41,916
Associate Degree	17,791
Below Associate Degree	28,128
Total	97,771

## **(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 securities and housing fund is strictly based on state, provincial and municipal requirements. As approved by relevant authorities, the Company also set up its enterprise annuity for employees according to applicable regulations.

## **(III) Training programs**

In 2017, the Company continued to actively implement the talent team construction in accordance with the hierarchical management model, and commenced education and trainings for management personnel, professional and technical personnel, building a platform for outstanding talents to take the lead. The year of 2017 marks "the year of improvement in engineering construction management" of the Company. The Company deepened the promotion of "Building the Main Platform for Project Management and Control", and successfully held the first-stage special training program for project managers, enhancing management skills of middle and advanced level projects and effectively promoting the project management level. Solid works were accomplished for the national training base of welding and architecture metal structure events of the 44th World Skills Competition. After Zeng Zhengchao won the first gold medal for China at the 43th World Skills Competition, Ning Xianhai, a base-trained contestant, successfully defended and once again won the honor for China in the welding event of the 44th World Skills Competition.

During the Reporting Period, 48,980 personnel of the Company participated in education and trainings with participation of 128,154 times, which effectively improved the management capabilities and skill levels of the Company's cadre personnel.

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## **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 29 March 2018), 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).

## **XI. DIRECTORS' AND SUPERVISORS' RIGHTS REGARDING SHARE ACQUISITION**

During the Reporting Period and as of the end of the Reporting Period, there is no arrangement in which the Company or its subsidiaries or holding companies or the subsidiaries of the holding companies acting as a party, which enables the Directors or supervisors of the Company or any of their spouses or offspring under the age of eighteen to obtain benefits by means of the acquisition of shares, or debentures of, the Company or any other corporate entity.

# CORPORATE GOVERNANCE

## I. CORPORATE GOVERNANCE AND OVERALL GOVERNANCE OF THE COMPANY

During the Reporting Period, the Company continued to comply strictly with the 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 Shareholders' Meeting, the Board and its special committees, as well as the Supervisory Committee of the Company operated in compliance with the laws and regulations in an efficient manner, and further improved the corporate governance level of the Company.

The Board of the Company has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period, the Company has complied with the requirements of the Corporate Governance Code, except for the requirement that every director shall be subject to retirement by rotation at least once every three years as set out in the code provision A.4.2 (please refer to "III. The Performance of Duties by Directors" of this section for details) and the code provision E.1.2 of the Corporate Governance Code. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Mr. Guo Wenqing, the chairman of the Company, was not able to attend the 2016 annual general meeting due to business engagement. Pursuant to relevant requirements, Mr. Zhang Zhaoxiang, the Vice Chairman and an executive Director of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting.

In June 2017, as considered and approved at the 2016 annual general meeting, the Company amended Article 18 under the Articles of Association for the purpose of increasing the registered capital and relevant matters of the Company based on the actual result of the non-public issuance (for details, please refer to the relevant announcement of the Company disclosed on 11 January 2017).

## II. SUMMARY OF THE GENERAL MEETINGS

Sessions of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions	Date of disclosure of the publication of the resolutions
2016 annual general meeting	26 June 2017	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>	26 June 2017

*Note:* Poll results announcement of the abovementioned general meeting has been published on the website of the Hong Kong Stock Exchange on the date of such meeting.

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 Shareholders' Meeting 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 26 June 2017, the Company convened the 2016 annual general meeting, where Mr. Zhang Zhaoxiang, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen, all being Directors of the Company, attended the meeting. 8 ordinary resolutions were considered and approved at the meeting, including the resolution in relation to "Work Report of the Board of MCC for the year 2016", the resolution in relation to the "Work Report of the Supervisory Committee of MCC for the year 2016", the resolution in relation to the report of MCC on final accounts for the year 2016, the resolution in relation to profit distribution of MCC for the year 2016, the resolution in relation to the emoluments of Directors and Supervisors of MCC for the year 2016, the resolution in relation to the guarantee plan of MCC for the year 2017, the resolution in relation to the appointment of the auditor of the financial report and internal control auditor of the Company for the year 2017 and the resolution in relation to the application for annual caps for daily connected transactions/continuing connected transactions for the years from 2017 to 2019 and the signing of connected transactions agreements. A special resolution in relation to the increase of the Company's registered capital and corresponding amendments to the Articles of Association was considered and approved at the meeting.

# CORPORATE GOVERNANCE

## 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 Mr. Guo Wenqing as the Chairman, Mr. Zhang Zhaoxiang as the Vice Chairman and Executive Director, Mr. Jing Tianliang as a Non-executive Director, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung Peter as Independent Non-executive Directors, and Mr. Lin Jinzhen as an employee representative Director. None of the Independent Non-executive Directors of the Board held any positions of the Company 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, integrity 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 at 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. From November 2014 to November 2017, the tenure of the second session of the Board, the Supervisory Committee and the senior management of the Company has expired for a term of three years. Pursuant to the provisions of the Articles of Association of the Company, prior to the establishment of the next session of the Board and the Supervisory Committee as well as the election of new Directors and Supervisors, the members of the current session of the Board and the Supervisory Committee shall continue to discharge their duties. Prior to the establishment of the next session of the Board and the engagement of senior management for the next session, the current senior management of the Company shall continue to discharge their duties. The Company shall submit the nomination or re-election of any proposed Director or Supervisor to the general meeting for consideration or approval in accordance with legal procedures when practicable.

During the Reporting Period, the Company purchased liability insurance policies for all Directors.

Save for their services to the Company, there is no financial, business or family relationship among the Directors and between them and the chief executive officer, nor any other material 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, governance of listed companies, and effective operation of board of directors, prevention and control of insider trading 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:

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



# CORPORATE GOVERNANCE

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

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

*Explanation on the failure to attend Board meetings in person for two consecutive times*

Applicable       Not Applicable

Number of Board meetings held within the year	7
Including: Number of on-site meetings	6
Number of meetings convened via communications	1
Number of meeting convened by combination of on-site meeting and communication	0

## (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. Mr. Zhang Mengxing serves as the President. 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.

# CORPORATE GOVERNANCE

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 and its subordinate special committees of the Company performed their duties in strict compliance with the duties and work requirements as authorized by Shareholders and listing regulatory authorities, and carried out their work pursuant to the Company Law, regulatory rules of the listing place(s), Articles of Association, Rules of Procedures of Shareholders' General Meeting, Rules of Procedure for the Board of Directors and other relevant requirements. For the purpose of maintaining and increasing the value of the state-owned assets and maximizing Shareholders' interests, based on the function orientation of "making strategy, managing team, discussing important issues and controlling risks", the Company performed the review procedure for the matters that shall be examined and approved by Board of Directors pursuant to the laws and regulations to ensure the decision of Board of Directors is regulated, effective and scientific. The Company continued highlighting and devoting greater efforts in solving important matters and effectively improved standard of specified operation and quality of efficient decision.

Firstly, the Board captured the opportunities arising from the favorable economic situation to effectively improve the asset quality of the Company. It continued to devote its efforts to paying off and reducing the "accounts receivable and inventories" through a wide selection of initiatives, such as quantified management by way of classification, dynamic tracking and supervision, as well as strengthening the accountability mechanism. Through decreasing inventory and increasing effectiveness, the Board guarded against operating risks, return risks, impairment risks and bad debt risks, and, in turn, improved asset quality and ensured the healthy development of the Company.

Secondly, the Board carried out in-depth research on the growth potential of investment projects. With favorable investment projects and appropriate business models in place, the Board stimulated the stable growth of revenue through carrying out investment projects in order to realize the long-term prosperity and stabilization of the Company.

Thirdly, the Board strengthened investment management and control to cautiously prevent investment risks. For the purpose of strengthening the management and control over the real estate development business, the Board strived to improve the project management standard of real estate development business while putting more efforts in market expansion. High attention has been paid to the investment risks on PPP projects. In prevention of investment risks, the Board analyzed, judged and prevented the risks in advance, strictly controlled decision-making on investment and supervised project approval.

Fourthly, the Board proactively expanded the development of the metallurgical market. Through active exploration of a green, energy-saving, environment-friendly and high-end development path, the Board kept on seeking for and expanding the room for development of the metallurgical market. In terms of metallurgical construction, by focusing on green iron and steel construction, environmentally friendly construction, quality improvement and transformation and innovative development, as well as enhancing the development quality of the iron and steel industry of the PRC, the Board highly engaged in the operation of iron and steel enterprises, and effectively built up a national team for operating services of metallurgical construction.

# CORPORATE GOVERNANCE

Fifthly, the Board attached great importance to leadership building, which required the management to improve team spirit and morale, turn opportunities to achievements, and communicate more frequently with specialists and scholars on the development strategy of the Company in order to attain enlightenment and stimulate inspiration.

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

During the Reporting Period, Independent Directors of the Company did not have objections on relevant issues 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 2017, 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 125 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 chairman of the Finance and Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

During the Reporting Period, the Board gave more prominence to the supporting role and professional discussion and consultation function of the relevant special committees. Before 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.

### **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 chairman.

During the Reporting Period, the Strategy Committee convened 1 meeting via teleconference in total, and all 3 committee members attended the meeting. The meeting considered the resolution in relation to the establishment of departments of Xiong'an New District.

# CORPORATE GOVERNANCE

## 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; reviewing 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 chairman.

During the Reporting Period, the Finance and Audit Committee convened 5 meetings in total, considered and discussed 32 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 and reviewed the feedback channels established by the Company. No whistle blowing 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:

<b>Name of Directors</b>	<b>Number of attendance required for the Directors</b>	<b>Number of meetings attended in person</b>
Chan Ka Keung Peter	5	5
Jing Tianliang	5	3
Yu Hailong	5	5

# CORPORATE GOVERNANCE

## 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 chairman.

During the Reporting Period, the Nomination Committee convened 1 meeting via teleconference in total, and all 3 committee members attended the meeting. At the meeting, the structure, size and composition of the Board were discussed and reviewed, which, in the opinion of the Board, were consistent with the Articles of Association, regulatory requirements and business requirements of the Company. The composition of Directors of the special committees of the Board was based on the professional knowledge, expertise and previous experience of the Directors, which gave full play to the professional knowledge and skills of the Directors.

## 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 chairman.

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 2016, the remuneration of the senior management for the year 2016 and the proposal on monthly remuneration for the year 2017.

## V. PERFORMANCE OF DUTIES BY THE SUPERVISORY COMMITTEE

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.

# CORPORATE GOVERNANCE

During the Reporting Period, the Company's Supervisory Committee convened 4 meetings of the Supervisory Committee in total. It considered 17 proposals and received reports in respect thereof. The attendance by each Supervisor at meetings are as follows:

<b>Name of Supervisors</b>	<b>Number of attendance required for the Supervisors</b>	<b>Number of meetings attended in person</b>
Yan Aizhong	4	4
Peng Haiqing	4	4
Shao Bo	4	4

During the Reporting Period, the Supervisory Committee reviewed all previous regular reports required to be disclosed by the Company and earnestly studied final accounts and profit distribution plans of the Company for the year 2016, and supervised the internal control, a list of related parties/connected persons, as well as the utilization and change of relevant raised proceeds, 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. FAILURE OF THE CONTROLLING SHAREHOLDERS OF THE COMPANY IN ENSURING INDEPENDENCE AND MAINTAINING THEIR CAPACITY OF INDEPENDENT OPERATION IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

Applicable  Not Applicable

**The corresponding measures, working process and follow-up working plans of the Company relating to competitions within the industry**

Applicable  Not Applicable

## VIII. AUDITING INSTITUTION AND ITS REMUNERATION

The Company appointed Deloitte Touche Tohmatsu as its annual auditors. 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 2017, please refer to VI Appointment and Dismissal of Accounting Firm under the section headed "Significant Events" of the report.

# CORPORATE GOVERNANCE

## IX. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In 2017, 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 proactively maintained satisfactory relationship with investors, and 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 2017, the Company was rated Class A (the top class) Listed Company for SSE Information Disclosure. In the same year, the Company was awarded the “Best Board Secretary” from Golden Bauhinia Awards, and “Top 100 Outstanding Entrepreneurs in China”, “Top 100 Best Board Secretary in China” and “Top 100 Ethical Companies in China” by Forum of Top 100 Listed Companies in China.

1. On the basis of compliance disclosure, the Company constantly enhanced the validity of the information disclosed. In 2017, the Company conducted further communication with regulatory authorities and paid more efforts in studying and making reference to relevant rules, with extra focus on the study of disclosure for innovative business model. Living up with the pre-requisite of compliance disclosure, the Company sought for improving the readability and continuity of the information disclosed.
2. The Company stepped forward to initiate the communication with its investors and continuously innovated the communication method. The Company organized communication sessions on 2016 annual results and 2017 interim results in Beijing and Hong Kong, respectively, so as to strengthen the communication with multiple layers of the capital market on an on-going basis. Other than daily communication and contact with investors, analysts and the media, the Company maintained frequent and proactive communications. Throughout the year, the Company received a total of nearly 40 study visits of investor groups at home and abroad, and engaged in detailed communication with more than 300 investors from nearly 100 institutions in the secondary market via roadshow, visit, telephone meeting and other methods of communication. The Company convened a briefing session on cash dividends distribution via the Internet, enabling investors to gain comprehensive and deeper understanding in the specific details on the cash dividends distribution of the Company for 2016. The Company broadcasted live videos on the result presentation meeting via multimedia, attended several meetings and forums and delivered speeches therein, as well as communicated effectively with multiple layers of investors in the capital market via a wide selection of promotion methods.
3. Upon identifying the market focus in a timely manner via market communication, the Company provided publicly-available feedback to the market via voluntary information disclosure. The Company provided additional disclosure on its emerging businesses, PPP projects, scientific achievements and industry operation information in its regular reports. In addition, the Company insisted on the monthly disclosure on the briefing of its newly signed contracts by publishing temporary announcements, in order to provide investors with sufficient channels to understand the development on market expansion of the Company, which further improved the transparency of information disclosure 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).

# CORPORATE GOVERNANCE

## XI. COMPANY SECRETARY

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. Ms. Li Yuzhuo is the main internal contact person between Ms. Lai Siu Kuen and the Company.

For details of profile of Ms. Li Yuzhuo, please refer to page 103 of this report.

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

Ms. Lai Siu Kuen is an associate director of the listing services department of TMF Hong Kong Limited, with over 16 years of professional and in-house working experience in the company secretarial field. Ms. Lai is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom. For the purpose of complying with Rule 3.29 of the Hong Kong Listing Rules, Ms. Li Yuzhuo and Ms. Lai Siu Kuen, attended relevant professional training for not less than 15 hours for the year ended 31 December 2017.

## 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. INTERNAL CONTROL AND SELF-EVALUATION REPORT

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. Risk identification stage: pursuant to the requirements of the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》) (Guo Zi Fa Gai Ge [2006] No. 108), the Company organized all functional departments and subsidiaries to



# CORPORATE GOVERNANCE

collect relevant information on risks systematically on an on-going basis. In accordance with the risk categorization framework of the SASAC and the normative requirements of internal guidance on risk management, the Company conducted risk identification and re-organization procedures to identify internal and external risks affecting operating targets, analyzed the cause of risks and possible impacts case by case, and specified the departments-in-charge. Risk evaluation stage: the Company performed qualitative assessments on risks according to the management requirements of the upper authorities and classified risks into three levels based on the “importance and urgency of risk management”, namely highly important (red), close attention (yellow) and controllable risks (green). The Company organized each of the department-in-charge to evaluate the impact of different types of risks on the realization of the overall objectives of the Company and preliminarily determined the classification of risk management, with extra attention paid to material risks. Risk responding stage: the Company duly formulated risks responding measures in response to routine risks, which include: risk prevention, risk confrontation, risk mitigation and risk transformation. In terms of material risks, solutions to material risks were prepared and the Company had assigned respective departments-in-charge; effective and practicable risk management and control measures have been duly formulated upon thorough analysis on the source, cause, possible impact and corresponding strategies of material risks. Material risks tracking stage: pursuant to the requirement of the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》), by way of the implementation of risk management and the effective tracking of material risks on a regular basis, the Company timely adjusted the solutions to material risks or contingency plans on crisis management, allocated resources accordingly, specified work procedures, assigned persons-in-charge and set deadline, so as to ensure the effective implementation of such solutions or plans.

The main features of risk management and internal control system are as follows: pursuant to regulatory requirements, the Company implemented the Basic Standards for Corporate Internal Control (《企業內部控制基本規範》) and its accompanying guidelines since 2011. Based on the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》) published by the SASAC, 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 attaches great importance to the effective operation of the internal control system: 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, evaluated various risks which might create possibilities of impacts on and loss to the operation procedures of the Company, timely 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.

The Board assesses at least annually the effectiveness of the risk management and internal monitoring and control systems of the Company and comes to a complete inspection conclusion in the current year. The procedures of reviewing the effectiveness of risk management and internal control systems 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

# CORPORATE GOVERNANCE

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 scope of 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.

The procedures for making up severe deficiencies of the internal control system: 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 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》.

MCC has established an internal audit function which analyzes and independently evaluates the adequacy and effectiveness of the risk management and internal monitoring and control systems of the Company and report to the Board the results at least once a year. MCC has, in practice, 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 from 1 January 2017 to 31 December 2017.

As of the year ended 31 December 2017, the Board has inspected the effectiveness of the internal monitoring and control and risk management systems of the Group to ensure that the management maintained and managed a well-functioning system based on the control procedures and standards. The Board has confirmed that there is no significant defect of internal control in the financial report existed in the internal control for 2017, and no significant defect of internal control has been discovered in the non-financial report. According to the inspection and assessment results of internal control of the Company, the risk management and internal monitoring and control of the Company is effective and is able to fulfill the internal control objectives.

The Board believes that the current risk management and internal monitoring and control systems are adequate and effective, in particular, with respect of financial reporting and compliance with the Listing Rules.

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.

## Explanation on significant deficiencies in internal control during the Reporting Period

Applicable       Not Applicable

## 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 2017, 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. According to the audit report of internal control issued by Deloitte Touche Tohmatsu, the Board has inspected the risk management and internal monitoring and control systems of the Company and its subsidiaries, and is of the view that they are still effective.

Whether the Company had disclosed its internal control audit report: Yes

# 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 are set out as below:

*Unit: RMB hundred million*

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

# CORPORATE BONDS

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange
2017 Renewable Corporate Bonds (Third Tranche)	17 MCC Y5	143902	10 July 2017 to 11 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (11 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	20	5.10	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	Shanghai Stock Exchange
2017 Renewable Corporate Bonds (Fourth Tranche)	17 MCC Y7	143907	27 July 2017 to 28 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (28 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	13	5.10	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	Shanghai Stock Exchange
2017 Corporate Bonds (First Tranche) under the Public Issuance	17 MCC01	144361	24 October 2017 to 25 October 2017	25 October 2022	5.7	4.99	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interests for the last tranche shall also be paid at the same time	Shanghai Stock Exchange

## Payment of interest principal amount of corporate bonds

During the Reporting Period, the Company did not have any payment obligation of principal and interest for each tranche of bonds. As of the date of approval of this annual report, the interests on 2017 Renewable Corporate Bonds (First Tranche) was paid on 1 March 2018, and the interest on 2017 Renewable Corporate Bonds (Second Tranche) was paid on 13 March 2017.

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).

# CORPORATE BONDS

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).

The value date of 2017 Renewable Corporate Bonds (Third Tranche) is effective from 11 July 2017 and the initial date of interest payment is 11 July 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 (Fourth Tranche) is effective from 28 July 2017 and the initial date of interest payment is 30 July 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 Corporate Bonds (First Tranche) under the Public Issuance is effective from 25 October 2017 and the initial date of interest payment is 25 October 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).

## Other Explanation on corporate bonds

2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche), 2017 Renewable Corporate Bonds (Fourth Tranche) and 2017 Corporate Bonds (First Tranche) under the Public Issuance are all 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	7th Floor, North Building, Financial Street Centre, No. 9 Financial Street, Xicheng District, Beijing, PRC
	Contact persons	Zhang Hao, Yang Dong and Hu Yue
	Contact No.	010-60840892
Credit ranking institution	Name	China Chengxin Securities Rating Co., Ltd.
	Office Address	Anji Building, No. 760 Tibet South Road, Huangpu District, Shanghai, PRC

## III. USE OF PROCEEDS OF CORPORATE BONDS

As of the date of approval of this annual report, proceeds from 2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche), 2017 Renewable Corporate Bonds (Fourth Tranche) and 2017 Corporate Bonds (First Tranche) under the Public Issuance have been utilized. The balance of the special account for the proceeds was nil as of the end of the Reporting Period. The use of the entire proceeds of the corporate bonds of the Company is in line with the intended use, plan of use and other purposes as stipulated 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, the account for proceeds is operating under governance, and the withdrawal and use of proceeds from each tranche have complied with the approval formalities of the Company.

## IV. RANKING OF CORPORATE BONDS

According to the credit ranking report (Xin Ping Wei Han Zi [2017] No. G081-X) issued by China Chengxin Securities 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 [2017] No. G112-F1) issued by China Chengxin Securities 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.

According to the credit ranking report (Xin Ping Wei Han Zi [2017] No. G293-F2) issued by China Chengxin Securities Rating Co., Ltd. on 27 June 2017, "Renewable Corporate Bonds (Third 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 [2017] No. G346-F3) issued by China Chengxin Securities Rating Co., Ltd. on 19 July 2017, "Renewable Corporate Bonds (Fourth 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 [2017] No. G457-1) issued by China Chengxin Securities Rating Co., Ltd. on 9 October 2017, "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.

The debt financing instruments issued by the Company in the interbank bond market were all ranked AAA with no difference existed.

China Chengxin Securities Rating Co., Ltd. is expected to conduct the follow-up and ranking of the Company and its indebtedness after the disclosure of this report, and will disclose the follow-up and ranking report on the website of Shanghai Stock Exchange within two months after the disclosure of this 2017 annual report of the Company to inform investors in this regard.

## 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 annual report, the Company did not establish any credit enhancement mechanism for corporate bonds, and the debt repayment plans and other debt repayment protective measures for corporate bonds of the Company are in line with the provisions and relevant undertakings provided in the prospectus and there is no change in the abovementioned.

## VI. CONVENTION OF CORPORATE BONDHOLDERS' MEETINGS

Since the issuance date of corporate bonds and up to the date of approval of this annual report, there were no matters that fall within the scope of authority 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 corporate bonds "17 MCC Y1", "17 MCC Y3", "17 MCC Y5", "17 MCC Y7" and "17 MCC 01". As stipulated under the "Bond Trustee Agreement" entered into between the Company and China Merchants Securities Co., Ltd. upon the declaration of each of such corporate bonds, such company performed its relevant duties as a bond trustee.

# CORPORATE BONDS

The bond trustee of corporate bonds “17 MCC Y1”, “17 MCC Y3”, “17 MCC Y5”, “17 MCC Y7” and “17 MCC 01” is expected to issue 2017 trustee reports in relation to respective corporate bonds on the website of Shanghai Stock Exchange before 30 June 2018. Investors shall pay attention to it.

## 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	2017	2016	Increase/decrease as compared to the same period of last year (%)
EBITDA	<b>15,126,395</b>	14,198,514	6.54
Current Ratio	<b>1.15</b>	1.18	Decreased by 0.03
Quick Ratio	<b>0.73</b>	0.71	Increased by 0.02
Asset-liability Ratio	<b>76.52%</b>	77.98%	Decreased by 1.46 percentage points
EBITDA/Total Liabilities	<b>0.05</b>	0.05	–
Interest Protection Multiples	<b>2.48</b>	2.08	Increased by 0.40
Cash Dividend Protection Multiples	<b>5.47</b>	4.81	Increased by 0.66
EBITDA/Interest Protection Multiples	<b>3.10</b>	2.65	Increased by 0.45
Loan Repayment Ratio	<b>100%</b>	100%	–
Interest Payment Ratio	<b>100%</b>	100%	–

## IX. PAYMENT OF INTEREST PRINCIPAL AMOUNT OF OTHER BONDS AND DEBT FINANCING INSTRUMENTS OF THE COMPANY

During the Reporting Period, in addition to corporate bonds, the Company is still in possession of other debt financing instruments, such as enterprise bonds and medium-term notes, all of which 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 credit facilities with relatively greater amount, and also has relatively stronger ability in indirect debt financing. As of the end of the Reporting Period, the Company obtained a total of RMB506.8 billion from various financial institutions, of which RMB141.1 billion were utilized and RMB365.7 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

During the Reporting Period, the Company has strictly performed relevant undertakings and provisions under the Corporate Bond Prospectus of each term.

## XII. SIGNIFICANT EVENTS OF THE COMPANY AND THEIR 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 Article 45 of the Administrative Measures for Issuing and Trading Corporate Bonds.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## I AUDITOR'S REPORT

De Shi Bao (Shen) Zi (18) No. P01143

### TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

#### 1. Opinion

We have audited the attached financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprise the consolidated and Company's balance sheet as at 31 December 2017, and the consolidated and Company's income statement, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity 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 consolidated and Company's financial position as at 31 December 2017, and the consolidated and Company's 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(5)(b)(i) in the financial statements, the Group 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 2017

## 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; and
- 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 Group'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(5)(b)(ii) 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, and
- 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 2017

## 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 2017 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 2017

## 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**  
29 March 2018

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 2017

## II FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Cash and bank balances	VII1	43,593,622	44,863,390
Financial assets at fair value through profit or loss	VII2	151,451	1,044
Bills receivable	VII3	20,757,246	16,026,955
Accounts receivable	VII4	73,495,762	69,544,642
Prepayments	VII5	19,230,005	13,421,058
Interests receivable	VII6	22,665	26,666
Dividends receivable	VII7	48,257	46,727
Other receivables	VII8	41,328,480	31,409,955
Inventories	VII9	118,292,878	122,191,095
Non-current assets due within one year	VII10	2,171,927	3,745,636
Other current assets	VII11	3,236,652	1,497,368
<b>Total Current Assets</b>		<b>322,328,945</b>	<b>302,774,536</b>
<b>Non-current Assets:</b>			
Available-for-sale financial assets	VII12	4,410,495	2,665,570
Long-term receivables	VII13	23,541,178	11,277,158
Long-term equity investments	VII14	8,916,066	5,163,485
Investment properties	VII15	3,386,116	2,486,596
Fixed assets	VII16	28,603,498	30,037,756
Construction in progress	VII17	2,826,218	3,653,172
Materials for construction of fixed assets	VII18	64,812	69,074
Intangible assets	VII19	15,419,183	14,416,860
Goodwill	VII20	164,282	173,058
Long-term prepayments	VII21	296,022	249,357
Deferred tax assets	VII22	4,585,699	4,358,008
Other non-current assets	VII23	22,660	166,974
<b>Total Non-current Assets</b>		<b>92,236,229</b>	<b>74,717,068</b>
<b>TOTAL ASSETS</b>		<b>414,565,174</b>	<b>377,491,604</b>
<b>Current Liabilities:</b>			
Short-term borrowings	VII24	39,425,855	49,740,440
Derivative financial liabilities	VII25	–	17,443
Bills payable	VII26	22,332,231	17,638,291
Accounts payable	VII27	117,498,912	111,999,308
Receipts in advance	VII28	43,861,424	33,161,350
Employee benefits payable	VII29	1,974,696	1,915,566
Taxes payable	VII30	3,428,721	3,110,767
Interests payable	VII31	551,884	493,527
Dividends payable	VII32	1,057,084	827,426
Other payables	VII33	25,223,069	18,681,125
Non-current liabilities due within one year	VII34	18,423,908	14,440,253
Other current liabilities	VII35	6,357,400	3,997,881
<b>Total Current Liabilities</b>		<b>280,135,184</b>	<b>256,023,377</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED BALANCE SHEET (CONTINUED)

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
<b>Non-current Liabilities:</b>			
Long-term borrowings	VII36	23,470,743	25,038,820
Bonds payable	VII37	7,086,675	6,654,000
Long-term payables	VII38	1,099,228	850,280
Long-term employee benefits payable	VII39	3,554,213	3,646,673
Special payables	VII40	172,170	7,175
Provisions	VII41	270,472	568,876
Deferred income	VII42	1,271,973	1,382,299
Deferred tax liabilities	VII22	184,035	212,401
<b>Total Non-current Liabilities</b>		<b>37,109,509</b>	<b>38,360,524</b>
<b>TOTAL LIABILITIES</b>		<b>317,244,693</b>	<b>294,383,901</b>
<b>Shareholders' Equity:</b>			
Share capital	VII43	20,723,619	20,723,619
Other equity instruments	VII44	17,884,240	9,884,950
Including: Perpetual bond		17,884,240	9,884,950
Capital reserve	VII45	22,527,667	22,438,344
Other comprehensive income	VII46	5,218	189,057
Special reserve	VII47	12,550	12,550
Surplus reserve	VII48	1,338,615	1,100,651
Retained earnings	VII49	20,007,920	16,203,904
Total shareholders' equity attributable to shareholders of the Company		82,499,829	70,553,075
Non-controlling interests		14,820,652	12,554,628
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>97,320,481</b>	<b>83,107,703</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>414,565,174</b>	<b>377,491,604</b>

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 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
<b>Current Assets:</b>			
Cash and bank balances	XVI1	4,658,892	7,703,977
Accounts receivable	XVI2	588,374	823,423
Prepayments		234,413	161,552
Interests receivable	XVI3	1,628,144	2,000,053
Dividends receivable	XVI4	1,135,205	2,100,649
Other receivables	XVI5	26,638,723	26,183,580
Inventories		421,130	299,065
Non-current assets due within one year	XVI6	1,277,037	1,577,037
Other current assets		44	–
<b>Total Current Assets</b>		<b>36,581,962</b>	<b>40,849,336</b>
<b>Non-current Assets:</b>			
Available-for-sale financial assets		231	231
Long-term receivables	XVI6	4,150,983	2,469,574
Long-term equity investments	XVI7	85,841,681	79,317,111
Fixed assets		13,005	12,592
Construction in progress		–	8,518
Intangible assets		10,113	9,597
<b>Total Non-current Assets</b>		<b>90,016,013</b>	<b>81,817,623</b>
<b>TOTAL ASSETS</b>		<b>126,597,975</b>	<b>122,666,959</b>
<b>Current Liabilities:</b>			
Short-term borrowings	XVI8	20,310,515	27,514,934
Accounts payable		865,246	818,728
Receipts in advance		948,899	541,402
Employee benefits payable		10,753	8,974
Taxes payable		58,010	46,848
Interests payable		242,298	238,965
Dividends payable		443,643	168,633
Other payables	XVI9	13,918,647	11,430,335
Non-current liabilities due within one year	XVI10	5,997,291	853,755
<b>Total Current Liabilities</b>		<b>42,795,302</b>	<b>41,622,574</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET (CONTINUED)

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
<b>Non-current Liabilities:</b>			
Long-term borrowings	XVI11	1,250,000	5,016,690
Bonds payable		570,000	2,704,000
Long-term payables		378,980	78,980
Long-term employee benefits payable		18,366	18,061
Deferred income		4,411	4,411
<b>Total Non-current Liabilities</b>		<b>2,221,757</b>	<b>7,822,142</b>
<b>TOTAL LIABILITIES</b>		<b>45,017,059</b>	<b>49,444,716</b>
<b>Shareholders' Equity:</b>			
Share capital		20,723,619	20,723,619
Other equity instruments		17,884,240	9,884,950
Including: Perpetual bond		17,884,240	9,884,950
Capital reserve		38,041,092	38,041,092
Other comprehensive income		718	1,465
Special reserve		12,550	12,550
Surplus reserve		1,338,615	1,100,651
Retained earnings		3,580,082	3,457,916
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>81,580,916</b>	<b>73,222,243</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>126,597,975</b>	<b>122,666,959</b>

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 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>I Total operating revenue</b>		<b>243,999,864</b>	219,557,579
Including: Operating revenue	VII50	243,999,864	219,557,579
<b>II Total operating costs</b>		<b>236,069,186</b>	213,000,156
Including: Operating costs	VII50	212,052,305	191,369,837
Taxes and levies	VII51	2,109,021	3,288,123
Selling expenses	VII52	1,961,287	1,665,258
Administrative expenses	VII53	13,017,914	10,425,174
Financial expenses	VII54	3,020,031	2,228,707
Impairment losses of assets	VII55	3,908,628	4,023,057
Add: Gains (Losses) from changes in fair values	VII56	222	(3,215)
Investment income	VII57	548,870	440,053
Including: Gains from investments in associates and joint ventures		48,309	327,590
Gains on disposal of assets	VII58	99,013	84,968
Other income	VII59	200,336	–
<b>III Operating profit</b>		<b>8,779,119</b>	7,079,229
Add: Non-operating income	VII60	438,636	1,172,389
Less: Non-operating expenses	VII61	243,069	603,847
<b>IV Total profit</b>		<b>8,974,686</b>	7,647,771
Less: Income tax expenses	VII62	2,262,832	1,678,124
<b>V Net profit</b>		<b>6,711,854</b>	5,969,647
(I) Net profit classified by operating continuity			
Net profit from continuing operations		6,711,854	5,969,647
Net profit from discontinued operations		–	–
(II) Net profit classified by ownership ascription			
Profit or loss attributable to non-controlling interests		650,366	593,789
Net profit attributable to shareholders of the Company		6,061,488	5,375,858



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>VI Other comprehensive income, net of income tax</b>	VII 63	<b>(173,761)</b>	37,249
Other comprehensive income attributable to shareholders of the Company, net of income tax		<b>(183,839)</b>	(3,263)
(I) Items that will not be reclassified subsequently to profit or loss		<b>(157,365)</b>	(4,749)
1. Re-measurement of defined benefit obligations		<b>(157,365)</b>	(4,749)
(II) Items that may be reclassified subsequently to profit or loss		<b>(26,474)</b>	1,486
1. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under equity method		<b>(546)</b>	–
2. Net gain (loss) on revaluation of available-for-sale financial assets		<b>12,762</b>	(33,089)
3. Exchange differences on translating foreign operations		<b>(38,690)</b>	34,575
Other comprehensive income attributable to non-controlling interests, net of income tax		<b>10,078</b>	40,512
<b>VII Total comprehensive income</b>		<b>6,538,093</b>	6,006,896
Total comprehensive income attributable to shareholders of the Company		<b>5,877,649</b>	5,372,595
Total comprehensive income attributable to non-controlling interests		<b>660,444</b>	634,301
<b>VIII Earnings per share</b>	XV3		
(I) Basic earnings per share ( <i>Yuan/share</i> )		<b>0.26</b>	0.25
(II) Diluted earnings per share ( <i>Yuan/share</i> )		<b>Not Applicable</b>	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 2017

## 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
<b>I Operating revenue</b>	XVI12	<b>4,091,867</b>	1,719,540
Less: Operating costs	XVI12	<b>3,706,520</b>	1,450,301
Taxes and levies		<b>12,853</b>	95,550
Administrative expenses		<b>241,444</b>	195,077
Financial expenses		<b>181,563</b>	400,564
Impairment losses of assets	XVI13	<b>(37,497)</b>	139,247
Add: Investment income	XVI14	<b>2,381,864</b>	4,579,045
Including: Income from investments in associates and joint ventures		<b>2,462</b>	2,112
<b>II Operating profit</b>		<b>2,368,848</b>	4,017,846
Add: Non-operating income		<b>21,498</b>	390
Less: Non-operating expenses		<b>594</b>	38
<b>III Total profit</b>		<b>2,389,752</b>	4,018,198
Less: Income tax expenses		<b>10,114</b>	404
<b>IV Net profit</b>		<b>2,379,638</b>	4,017,794
Net profit from continuing operations		<b>2,379,638</b>	4,017,794
Net profit from discontinued operations		–	–
<b>V Other comprehensive income, net of income tax</b>		<b>(747)</b>	3,570
(I) Items that will not be reclassified subsequently to profit or loss		<b>(747)</b>	3,570
1. Re-measurement of defined benefit obligations		<b>(747)</b>	3,570
<b>VI Total comprehensive income</b>		<b>2,378,891</b>	4,021,364

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 2017

## 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
<b>I Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		237,894,018	217,107,580
Receipts of tax refunds		347,587	455,317
Other cash receipts relating to operating activities	VII64(1)	8,349,356	3,187,865
Sub-total of cash inflows from operating activities		246,590,961	220,750,762
Cash payments for goods purchased and services received		190,193,057	163,630,769
Cash payments to and on behalf of employees		18,821,926	17,598,948
Payments of various types of taxes		9,786,848	10,353,956
Other cash payments relating to operating activities	VII64(2)	9,371,283	10,608,540
Sub-total of cash outflows from operating activities		228,173,114	202,192,213
<b>Net Cash Flows from Operating Activities</b>	VII65(1)	<b>18,417,847</b>	18,558,549
<b>II Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		38,438	1,785,510
Cash receipts from investment income		129,347	526,629
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		230,743	282,763
Net cash receipts from disposal of subsidiaries and other business units	VII65(2)	29,078	33,147
Other cash receipts relating to investing activities	VII64(3)	365,362	373,343
Sub-total of cash inflows from investing activities		792,968	3,001,392
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		4,079,368	3,114,962
Cash payments to acquire investments		5,388,055	2,689,128
Other cash payments relating to investing activities	VII64(4)	9,607,508	389,273
Sub-total of cash outflows from investing activities		19,074,931	6,193,363
<b>Net Cash Flows from Investing Activities</b>		<b>(18,281,963)</b>	(3,191,971)

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>III Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		<b>10,239,690</b>	8,155,882
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		<b>2,240,400</b>	1,982,391
Cash receipts from issue of perpetual bond		<b>7,999,290</b>	-
Cash receipts from borrowings		<b>84,850,314</b>	96,878,532
Sub-total of cash inflows from financing activities		<b>95,090,004</b>	105,034,414
Cash repayments of borrowings		<b>88,931,933</b>	101,586,763
Cash payments for distribution of dividends or profits or settlement of interest expenses		<b>6,957,762</b>	7,489,310
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		<b>473,312</b>	469,757
Other cash payments relating to financing activities	VII64(5)	<b>1,300,645</b>	1,556,268
Sub-total of cash outflows from financing activities		<b>97,190,340</b>	110,632,341
<b>Net Cash Flows from Financing Activities</b>		<b>(2,100,336)</b>	(5,597,927)
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>(283,325)</b>	206,882
<b>V Net (Decrease) Increase in Cash and Cash Equivalents</b>		<b>(2,247,777)</b>	9,975,533
Add: Opening balance of Cash and Cash equivalents		<b>38,711,911</b>	28,736,378
<b>VI Closing Balance of Cash and Cash Equivalents</b>	VII65(3)	<b>36,464,134</b>	38,711,911

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 2017

## 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
<b>I Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		4,737,089	1,876,203
Receipts of tax refunds		1,439	8,722
Other cash receipts relating to operating activities		261,746	328,070
Sub-total of cash inflows from operating activities		5,000,274	2,212,995
Cash payments for goods purchased and services received		3,867,718	1,552,837
Cash payments to and on behalf of employees		145,830	130,136
Payments of various types of taxes		67,752	193,230
Other cash payments relating to operating activities		131,928	112,221
Sub-total of cash outflows from operating activities		4,213,228	1,988,424
<b>Net Cash Flows from Operating Activities</b>	XVI15(1)	<b>787,046</b>	224,571
<b>II Cash Flows from Investing Activities:</b>			
Cash receipts from recovery of investments		12,000	204,480
Cash receipts from investment income		4,277,057	2,695,724
Other cash receipts relating to investing activities		236	3,846,870
Sub-total of cash inflows from investing activities		4,289,293	6,747,074
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		7,674	9,787
Cash payments to acquire investments		5,162,330	1,794,302
Other cash payments relating to investing activities		3,004,937	-
Sub-total of cash outflows from investing activities		8,174,941	1,804,089
<b>Net Cash Flows from Investing Activities</b>		<b>(3,885,648)</b>	4,942,985

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S CASH FLOW STATEMENT (CONTINUED)

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>III Cash Flows from Financing Activities:</b>			
Cash receipts from investments		7,999,290	6,173,491
Including: Cash receipts from issue of perpetual bond		7,999,290	–
Cash receipts from borrowings		44,432,363	59,251,989
Other cash receipts relating to financing activities		1,048	–
		52,432,701	65,425,480
Sub-total of cash inflows from financing activities			
Cash repayments of borrowings		49,174,292	61,992,343
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,181,878	3,650,507
Other cash payments relating to financing activities		–	11,348
		52,356,170	65,654,198
Sub-total of cash outflows from financing activities			
<b>Net Cash Flows from Financing Activities</b>		<b>76,531</b>	<b>(228,718)</b>
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		(21,966)	26,117
<b>V Net (Decrease) Increase in Cash and Cash Equivalents</b>			
		(3,044,037)	4,964,955
Add: Opening balance of Cash and Cash equivalents		7,692,102	2,727,147
<b>VI Closing Balance of Cash and Cash Equivalents</b>	XVI15(2)	<b>4,648,065</b>	<b>7,692,102</b>

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 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2017									
	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			
<b>I Closing balance of the preceding year</b>	20,723,619	9,884,950	22,438,344	189,057	12,550	1,100,651	16,203,904	12,554,628	83,107,703	
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	
Corrections of prior years errors	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	
<b>II Opening balance of the current year</b>	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	
<b>III Changes for the year</b>	-	7,999,290	89,323	(183,839)	-	237,964	3,804,016	2,266,024	14,212,778	
(I) Total comprehensive income	-	-	-	(183,839)	-	-	6,061,488	660,444	6,538,093	
(II) Shareholders' contributions and reduction in capital	-	7,999,290	89,323	-	-	-	-	2,078,892	10,167,505	
1. Capital contribution from owners	-	-	-	-	-	-	-	2,240,400	2,240,400	
2. Capital contribution from holders of other equity instruments	-	7,999,290	-	-	-	-	-	-	7,999,290	
3. Others	-	-	89,323	-	-	-	-	(161,508)	(72,185)	
(III) Profit distribution	-	-	-	-	-	237,964	(2,257,472)	(473,312)	(2,492,820)	
1. Transfer to surplus reserve	-	-	-	-	-	237,964	(237,964)	-	-	
2. Distributions to shareholders	-	-	-	-	-	-	(2,019,508)	(473,312)	(2,492,820)	
3. Others	-	-	-	-	-	-	-	-	-	
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	
(V) Special reserve	-	-	-	-	-	-	-	-	-	
1. Transfer to special reserve in the current year	-	-	-	-	2,782,860	-	-	190,952	2,973,812	
2. Amount utilized in the current year	-	-	-	-	(2,782,860)	-	-	(190,952)	(2,973,812)	
(VI) Others	-	-	-	-	-	-	-	-	-	
<b>IV Closing balance of the current year</b>	<b>20,723,619</b>	<b>17,884,240</b>	<b>22,527,667</b>	<b>5,218</b>	<b>12,550</b>	<b>1,338,615</b>	<b>20,007,920</b>	<b>14,820,652</b>	<b>97,320,481</b>	

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

All amounts in RMB'000

Items	For the year ended 31 December 2016								
	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
<b>I Closing balance of the preceding year</b>	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	-	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	19,110,000	9,884,950	17,876,690	192,320	12,550	698,872	12,782,248	10,597,394	71,155,024
<b>III Changes for the year</b>	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	-	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	<b>20,723,619</b>	<b>9,884,950</b>	<b>22,438,344</b>	<b>189,057</b>	<b>12,550</b>	<b>1,100,651</b>	<b>16,203,904</b>	<b>12,554,628</b>	<b>83,107,703</b>

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 2017

## 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 2017							Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
<b>I Closing balance of the preceding year</b>	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
<b>III Changes for the year</b>	-	7,999,290	-	(747)	-	237,964	122,166	8,358,673
(I) Total comprehensive income	-	-	-	(747)	-	-	2,379,638	2,378,891
(II) Shareholders' contributions and reduction in capital	-	7,999,290	-	-	-	-	-	7,999,290
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments (Note VII 44)	-	7,999,290	-	-	-	-	-	7,999,290
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	237,964	(2,257,472)	(2,019,508)
1. Transfer to surplus reserve	-	-	-	-	-	237,964	(237,964)	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,019,508)	(2,019,508)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-
2. Amount utilized in the current year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	<b>20,723,619</b>	<b>17,884,240</b>	<b>38,041,092</b>	<b>718</b>	<b>12,550</b>	<b>1,338,615</b>	<b>3,580,082</b>	<b>81,580,916</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## II FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

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	
<b>I Closing balance of the preceding year</b>	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	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	19,110,000	9,884,950	33,481,220	(2,105)	12,550	698,872	1,394,324	64,579,811
<b>III Changes for the year</b>	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 (Note III 1)	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	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	<b>20,723,619</b>	<b>9,884,950</b>	<b>38,041,092</b>	<b>1,465</b>	<b>12,550</b>	<b>1,100,651</b>	<b>3,457,916</b>	<b>73,222,243</b>

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 2017

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

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

On 8 December 2015, the Strategic Restructuring between CMGC and China Minmetals Corporation (“CMC”) started upon the approval of the SASAC, whereby CMGC will be merged into CMC. As of the date of issuance of these financial statements, changes of business registration of the Strategic Restructuring have not yet been completed. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company does not change before or after the Strategic Restructuring.

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

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

During the Reporting Period, the Group did not have material changes on principal business activities.

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 29 March 2018.

### 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 2017

## 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 2017 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 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2017 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.

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 acquire at the acquisition date. The acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss. Other comprehensive income associated with equity interest in the acquiree already held by the acquirer before the acquisition date is reclassified to investment income at the date on which acquisition is made.

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 5. Business combinations (Continued)

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

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

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

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

### 6. Basis for preparation of consolidated financial statements

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

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

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

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

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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 shareholders' 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.

A joint operation refers to whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. When the Group 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.

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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.

#### (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.



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 (Continued)

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 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (1) Financial assets (Continued)

##### (a) Classification of the financial assets (Continued)

###### – 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.

##### (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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (1) Financial assets (Continued)

##### (b) Recognition and measurement of the financial assets (Continued)

- 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.

##### (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;

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (1) Financial assets (Continued)

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

- 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.

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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (1) Financial assets (Continued)

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

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

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.

##### (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 neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. The extent of the Group's continuing involvement in the transferred financial asset is the extent to which it is exposed to changes in the value of 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (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.

##### – 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10. Financial instruments (Continued)

#### (2) Financial liabilities (Continued)

##### (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' interests.

### 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 11. Receivables (Continued)

- (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  
Group 2: no provision

With credit risk according to nature of business.  
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.

### 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.



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12. Inventories (Continued)

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

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

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

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

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

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

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

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

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

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

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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.

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

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

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

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

If the Group loses its control over the investee because of the disposal of partial equity investment and the remaining equity investment still have joint control or significant influence on the investee, then equity method should be adopted to record long-term equity investment when preparing the financial statements as if the equity investment is all the way accounted for under equity method from the date the Group acquired this investment. If the remaining equity investment does not have joint control or significant influence on the investee, the equity investment should be recorded according to the recognition and measurement of financial assets and the difference between the carrying amount and fair value of the equity investment on the date of losing control shall be included in profit or loss for the current year. The other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities on losing its control over the investee. The other changes in shareholders' equity of the investee's net assets except the net profit or loss, other comprehensive income and profit distribution will be included in profit or loss for the current year of losing its control over the investee. If the residual interests were measured under the equity method, the Group proportionally carries over the other comprehensive income and other shareholders' equity. If the residual interests were measured under the financial assets recognition and measurement standard, the Group wholly carries over the other comprehensive income and other shareholders' equity.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 14. Investment properties

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

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

	Estimated useful lives	Estimated residual values (%)	Annual depreciation rate (%)
Buildings 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 2017

## 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.

## 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 2017

## 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.

## 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;
- 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 2017

## 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.

## 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.

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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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 to fulfill restoration of the environment set out in the resource development arrangements if it is probable that an outflow of resources will be required to settle this obligations and the amount has been reliably estimated.

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

### 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;
- (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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 24. Revenue

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

#### (1) Revenue from sale of goods

Revenue from sale of goods is recognized when:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred or to be incurred can be measured reliably.

#### (2) Revenue from construction contracts

- (a) When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method at the balance sheet date. Percentage of completion method means the method of confirming revenues and expenses according to the schedule of the contracted project.

The stage of completion of a contract is determined using the proportion that actual contract costs incurred to date bears to the estimated total contract costs/proportion that completed contract work bears to the estimated total contract work.

Revenue from fixed price construction contracts is recognized when:

- The amount of total contract revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred can be clearly separated and measured reliably;
- The stage of completion of the contract and the cost to be incurred to complete the contract can be reliably certain.

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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 24. Revenue (Continued)

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

##### (a) (Continued)

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 VII28(3).

#### (3) Revenue from rendering of services

##### (a) Revenue from rendering of services where the outcome can be estimated reliably is recognized using the percentage of completion method at the balance sheet date. Percentage of completion method means the method of confirming revenues and expenses according to the schedule.

Revenue from rendering of services is recognized when:

- The amount of revenue can be measured reliably;
- It is probable that the associated economic benefits will flow to the Group;
- The stage of completion of the transaction can be determined reliably;
- The associated costs incurred or to be incurred can be measured reliably.

##### (b) When the outcome of the transaction involving the rendering of services cannot be estimated reliably:

- When it is probable that the costs incurred that will be recovered, the revenue is recognized to the extent of the costs incurred and the costs are recognized as the same amount;
- When it is not probable that the costs incurred will be recovered, the costs incurred should be recognized as expenses immediately when incurred and revenue is not recognized.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 24. Revenue (Continued)

#### (4) *Assignment of asset use right*

This revenue consists of interest revenue, royalty revenue and rental revenue, etc. Revenues are recognized when:

- It is probable that the associated economic benefits will flow to the Group;
- The amount of revenue can be measured reliably.

Interest income amount is calculated by the using time of monetary funds and effective interest by others.

The amount of royalty revenue is calculated in accordance with the time and method of charging as stipulated in the relevant contract or agreement.

Rental income under operating leases of buildings is recognized on a straight-line basis over the lease term.

#### (5) *Revenue from mining*

Revenue from mining is recognized when coincides with the following circumstances: (i) The risks and rewards in relation to sales of mining products are transferred to the buyers; (ii) The Group does not retain the management rights related to ownership, and no longer perform control on the goods; (iii) The amount of revenue can be accurately measured; (iv) The relevant economic interests are likely to flow into the Group; (v) Future or past costs can be reasonably assured.

#### (6) *Revenue from sales of properties*

Revenue from sale of completed properties held for sale is recognized when: (i) The completed properties held for sale has completed construction and acceptance; (ii) The Group has signed legally sales contract; (iii) The significant risks and rewards of ownership of the completed properties held for sale had transferred from the Group to the buyer; (iv) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the completed properties held for sale sold.

#### (7) *Build- Operation-Transfer ("BOT") revenue*

During the construction period of the BOT contract, revenues 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 transferred of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to it and the grant will be received.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. Government grants (Continued)

If a government grant takes the form of a monetary asset, it is measured at the amount received or receivable. If a government grant takes 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. Government grants received by the Group related to routine activities are recognized in other income or as reductions in the related costs and expenses according to the economic nature of business; whereas government grants received by the Group other than those related to routine activities are recognized in non-operating income.

(1) *The basis of judgment and accounting treatments of the government grants related to assets*

Government grants used for creating long-term assets by purchase, construction or other ways, are recognized by the Group as the government grants related to assets, mainly including the investment subsidies for the purchase or construction of new equipment and other production infrastructure.

Government grants related to assets of the Group will be recognized as deferred income and amortized to profit or loss for the current period on a reasonable and systematic basis over the useful life of the related assets.

(2) *The basis of judgment and accounting treatments of the government grants related to income*

The government grants related to income are those other than the ones related to assets. Government grants of the Group related to income mainly include scientific research subsidies. As they are mainly the compensation for related expenses of the enterprises, such government grants are recognized as the government grants related to income. The Group classifies government grants difficult to distinguish as the ones related to income on an entire basis.

If the government grants related to income are compensation for related expenses or losses to be incurred in subsequent periods, they are recognized as deferred income, and will be recognized in profit or loss or used to offset with related costs and expenses for the period when related expenses or losses are recognized. If the government grants related to income are compensation for related expenses or losses already incurred, they are recognized immediately in profit or loss for the current period or used to offset related with costs and expenses.

(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.

(4) *Interest subsidy received under policy loans*

If the preferential low-interest loans received by the Group is subject to the fact that the government finance authority allocates interest subsidy fund to the bank which thereafter issues loans to the Group at preferential low-interest rates, the Group recognizes such borrowing at an amount actually received and calculates the borrowing costs based on the principal and the preferential low-interest rates. If the preferential low-interest loans received by the Group is the interest subsidy fund to the Group directly from the government finance authority, the Group deducts the interest subsidy from related borrowing costs.

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 25. Government grants (Continued)

#### (5) Accounting treatment for repayments of government grants

Repayment of government grants should be applied first against any unamortized deferred income in respect of the grants. To the extent that repayment exceeds any such deferred income, or when no deferred income exists, the repayment should be recognized immediately in profit or loss for the current period.

### 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.

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.



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 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.

#### (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 <Cai Qi [2012] No.16>, issued by the MoF 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).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

#### (4) *Discontinued operation*

Discontinued operation refers to the separately identifiable components that have been disposed of or classified as held for sale and meet one of the following conditions:

- The component represents an independent main business or a major business area;
- This component is a part of a related plan that intends to dispose an independent main business or a separate main operating area;
- This component is a subsidiary acquired exclusively for resale.

#### (5) *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.

##### (a) 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.

###### (i) 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 VII44.

##### (b) 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:

###### (i) 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

#### (5) Significant accounting judgments and estimates (Continued)

##### (b) The key assumptions and uncertainties used in accounting estimates (Continued)

###### (ii) 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 2017, the carrying amount of accounts receivable of the Group was RMB73,495,762,000 (as at 31 December 2016: RMB69,544,642,000), the amount of the provisions for bad debts deducted was RMB13,206,219,000 (as at 31 December 2016: RMB12,134,040,000), details of which are set out in Note VII4(1).

###### (iii) 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.

###### (iv) 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 12.46% to 17.33% for the Reporting Period (for the year ended 31 December 2016: 12.79% 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.

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

#### (5) Significant accounting judgments and estimates (Continued)

##### (b) The key assumptions and uncertainties used in accounting estimates (Continued)

##### (iv) Impairment loss on assets (Continued)

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.

##### (v) 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.

As at 31 December 2017, the Group has recognized deferred tax assets of 4,585,699,000 (as at 31 December 2016: RMB4,358,008,000), 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 2017, the Group has an unrecognized deductible tax losses of RMB16,007,712,000 (as at 31 December 2016: RMB21,295,081,000) and an unrecognized deductible temporary differences of RMB5,740,469,000 (as at 31 December 2016: RMB4,797,369,000), 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

#### (5) Significant accounting judgments and estimates (Continued)

##### (b) The key assumptions and uncertainties used in accounting estimates (Continued)

##### (vi) 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

<u>Content and Reason of Changes in Accounting Policies</u>	<b>Examination and Approval Procedures</b>	<b>Remarks</b>
<p>The Group started adopting <i>the Accounting Standard for Business Enterprise No. 42 Non-current Assets or Disposal Groups Held-for-sale and Discontinued Operations (CAS 42)</i> issued by MoF in 2017, and <i>"the Accounting Standard for Business Enterprise No.16 Government Grants" (CAS 16)</i> revised by MoF in 2017 respectively since 28 May 2017 and 12 June 2017. Besides, the financial statements have been prepared under <i>the Notice of the Revised Format of Financial Statements for General Business Enterprises (Cai Kuai (2017) No. 30, hereinafter referred to as the "Cai Kuai No.30 Document")</i> released by the MoF on 25 December 2017.</p> <p><u>Non-current Assets or Disposal Groups Held-for-sale and Discontinued Operations</u></p> <p>CAS 42 specifies regulations for classifications and measurement of non-current assets or disposal groups held-for-sale, requiring to separately present profit or loss arising from continuing operations or discontinued operations in the income statement, with detailed disclosures about information of the non-current assets or disposal groups held-for-sale and discontinued operations in notes to the financial statements. This guidance has no impact on the financial statements.</p>	N/A	N/A

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 29. Changes in significant accounting policies and accounting estimates (Continued)

#### (1) Changes in significant accounting policies (Continued)

<u>Content and Reason of Changes in Accounting Policies</u>	<b>Examination and Approval Procedures</b>	<b>Remarks</b>
<p><u>Government Grants</u></p> <p>Prior to the implementation of the <i>CAS 16 (revised)</i>, the government grants had been recognized in non-operating income, whatever they were related to the Group's routine activities or not. After the implementation of the <i>CAS.16 (revised)</i>, government grants related to routine activities are recognized in other income or as reductions in the related costs and expenses by the Group according to the economic nature of business; whereas government grants other than those related to routine activities are recognized in non-operating income.</p> <p>The Group has adopted the prospective application approach for the above accounting policy changes, which has no impact on the comparable financial statements.</p>		
<p><u>Presentation of Gains or Losses on Disposal of Assets</u></p> <p>Prior to the release of the Cai Kuai No. 30 Document, the gains or losses arising from non-current assets (excluding financial instruments, long-term equity investment or investment properties) or disposal groups (excluding subsidiaries and business) held-for-sale, and gains or losses arising from disposal of fixed assets, construction in progress and intangible assets not classified as held-for-sale are presented under the item of "non-operating income or expenses". After the release of the Cai Kuai No.30 Document, gains or losses arising from disposal of the above assets are presented under the item of "gains on disposal of assets".</p> <p>The Group has changed the presentation of financial statement accounts according to the Cai Kuai No. 30 Document retrospectively, thus the comparative financial statement has been adjusted correspondingly.</p>	N/A	N/A

#### (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 2017

## 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% ( <i>Note</i> )
City maintenance and construction tax ("CCT")	Payment for VAT and consumption tax	1%, 5%, 7%
Education surcharges	Payment for VAT and consumption tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

*Note:* The VAT rates applicable to the Company entity include 3%, 5%, 6%, 11%, 13% and 17%. According to *Notice on Policies Relevant to Simplifications of the VAT Rate* (TFN [2017] No.37) issued by MOF and the State Administration of Taxation, since 1 July 2017, the structure of VAT rates has been simplified and VAT of 13% rate has been abolished. Henceforth sales of running water apply to 11% VAT rate, taking the place of 13% VAT rate formerly.

(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%
ENFI Zambia Ltd.	35%
China 19th Metallurgical Corporation Namibia Limited	35%
MCC International Venezuelan Ltd.	34%
China ENFI (Namibia) Ltd.	33%
Wuhan Surveying Geotechnical Research Institute Co., Ecuador Ltd. of MCC	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	33%
China First Metallurgical India (Private) Ltd.	32.45%
CISDI India Ltd.	31%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Australia (Brisbane) Ltd.	30%

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 Shijiu Papua New Guinea Co., Ltd.	30%
China First Metallurgical Construction Malaysia Co., Ltd.	28%
China Enfei (Chile) SAS	25.5%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Construction Engineering (Malaysia) Co., Ltd. (formerly named as "MCC Malaysia Construction Engineering Co., Ltd.")	24%
Shanghai Baoye (Malaysia) Co., Ltd.	24%
CCEPC Malaysia BHD	24%
MCC-CISDI Engenharia do Brisa Ltd.	20%
MCC Tian Gong (Kampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Thailand) 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%
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 (Hong Kong) Co., Ltd.	16.5%
MCC-CISDI Engenharia do Brisa Ltd.	15%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Oration Co., Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	10%
MCC Vietnam Engineering and Technology Company Ltd.	10%
MCC Indonesia Construction Co., Ltd.	3%
MCC Huaye Duda Mining Co., Ltd.	0%
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%
China Metallurgical New Energy (Pakistan) Limited	0%



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VI TAXATION (CONTINUED)

### 2. Tax incentive

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

According to the *Circular of the MoF, 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.
- (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. MCC Xi'an Electric Furnace Institute Co., Ltd. and ENFI New Energy (Zhongwei) 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., and China Metallurgical Construction Engineering Group Chongqing Steel Structure 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.
- (f) MCC Chongqing Real Estate Development Co., Ltd., China Metallurgical Construction Engineering (Ningxia) Co., Ltd., CISDI Chongqing Environmental Consulting Co., Ltd. and MCC (Guizhou) Construction Investment Development Co., Ltd. are levied at preferential tax rate of 15% from 2017 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) Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC., 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., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing New Vision Building Construction Technology Co., Ltd., Tianjin Ye Jian Construction Materials Co., Ltd., Beijing Metallurgical Equipment Research Design Institute Co., Ltd., China MCC 19 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., Wuhan Yi Ye Steel Structure 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., CISDI Engineering Co., Ltd., Ma'anshan MCC 17 Engineering Science & Technology Co., Ltd., CERl Colin Environmental Protection Technology Co., Ltd., CERl(Yangzhou) Machinery Co., Ltd., Shen Kan Qinhuangdao General Engineering Design & Research Institute Corporation, MCC and Baotou Beilei Continuous Casting Engineering Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2017.

## VI TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

- (b) 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., Metallurgical Construction Research Institute (Shenzhen) Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 20 Group Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2016 to 2018.
- (c) Shanghai Baoye Engineering Technology Corp., 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 Fine-blanking 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) Weishi Thermotechnology Co., Ltd., WISDRI Engineering & Research Incorporation Limited, China City Environment Protection Engineering Limited Company, WISDRI (Wuhan) Informatology Engineering Co., Ltd., Shen Kan Engineering & Technology Corporation, MCC, and Central Research Institute of Building and Construction Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC Huatian Energy Conservation Environmental Protection Research Institute Co., Ltd., 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., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., China ENFI Engineering Corporation, and China silicon Co., Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2019.

#### (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:

Companies including Lanzhou Zhongtuo Water Corporation, Liuan Water Corporation MCC, Ma'anshan 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., Fuzhou City Changle District MCC Water Co., Ltd. (Formerly named as MCC Changle Water Co., Ltd.) and Wuhan Urban Environmental Water Co., Ltd. are qualified for a preferential tax policy that 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VI TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

##### (a) (Continued)

Among them, the preferential policy of Lanzhou Zhongtuo Water Corporation 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 Ma'anshan Water Corporation, MCC has come into effect in 2014 and the applicable tax rate for the current period was 12.5%. 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%. Fuzhou City Changle District MCC Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd., have 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 West Development Enterprises from 2012. In the current year, the applicable tax rate of ENFI New Energy (Zhongwei) Co., Ltd. was 7.5%.

Xiangyang ENFI Environmental Protection Energy Co., Ltd. enjoys the favorable corporate income tax policy of "three-year tax exemption followed by three-year tax 50%-reduction" from 2012 and the applicable tax rate for the current year is 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 deducted from the tax payable of the current year or the next 5 tax years if the tax payable amount is not enough to offset this investment amount. The preferential tax period is from 2014 to 2018.

Ejina Ken ENFI New Energy Limited has enjoyed the preferential corporate income tax policy of "three-year tax exemption followed by three-year tax 50%-reduction" since 2017. Therefore, the applicable tax rate for this period was 0%.

- (c) According to the MoF 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.

Hunan Zhongye Changtian Energy Conservation 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.

- (d) According to the Notice of the MoF and State Administration of Taxation on *Issues Relevant to Implementation of the List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences* ("Caishui [2008] No.46"), if enterprises have engaged in public infrastructure projects subject to conditions and technology standards provided in the *List of Public Infrastructure Projects Enjoying Enterprise Income Tax Preferences* with approval since 1 January 2008, their income from investments and operations can be exempted from tax in the first, second and third year and halved in the fourth, fifth and sixth year from the taxable year of earning the first operating income.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VI TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

(d) (Continued)

MCC Huakang (Zhenjiang) New Energy Co., Ltd., as qualified for aforementioned policies, enjoy 0% applicable tax rate for the year.

(e) According to the relevant regulation of MoF and the State Administration of Taxation on *Implementation of Preferential Enterprises Income Tax Policies for Small and Low-Profit Enterprises* ("Caishui [2015] No.34"), the Article 28 of the *Law of the People's Republic of China on Enterprise Income Tax as well as Article 92 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*:

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., Nanjing Meiye Mechanical and Electrical Equipment Co., Ltd., Chongqing MCC Property Management Co., Ltd., 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., Chongqing Tuoye Construction Engineering Quality Inspection Co., Ltd., North Chixiao Modular House (Langfang) Co., Ltd., Chengdu MCC 5 Steel Cylinder Co., Ltd., Shanghai Baosteel MCC 5 Dedusting Equipment Co., Ltd., MCC 5 Group Shanghai Yuanzhu New Building Materials Co., Ltd. and China MCC International Economic and Trade (Beijing) Co., Ltd. met the standards of Small and Low-Profit Enterprises for 2017, enjoyed 50% reduction of income tax and their applicable enterprises income tax rate was 20%.

(f) According to the circular Guoshui [2009]185 *On the Issue of Enterprise Income Tax Preferential Management of the Comprehensive Utilization of Resources* and Caishui [2008]117 *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 2017.

(g) According to the relevant regulation of *Law of the People's Republic of China on Enterprise Income Tax, the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax* ("Order of the State Council No.512") and *Circular on Issues Concerning the Enterprise Income Tax Incentives on Enterprises That Recruit the Disabled* ("Caishui [2009] No.70"), enterprise could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment:

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd., MCC TianGong Tianjin Co., Ltd. and China 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 2017.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VI TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

- (h) According to the related regulation of additionally calculation and deduction of research and development expenditures incurred in *Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for the Pre-tax Deduction of Enterprises' Expenditures for Research and Development* ([2008] No.116), where an enterprise is engaged in the research and development on the Hi-tech subjects which are primarily supported by the PRC, such enterprise may, in accordance with relevant provisions, additionally claim and deduct 50% of the actual research and development expenditures incurred by the enterprise in a tax year when calculating the taxable income amount. The subsidiaries of the Company listed below enjoy the preferential tax policy:

BERIS Engineering and Research Co., Ltd., 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., Panzhihua Tianyu Engineering Detection Co., Ltd., MCC TianGong Tianjin 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., 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., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai MCC Environmental Engineering Technology 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 2017.

- (i) According to "Caishui [2015]78", The MoF 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:

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, Ma'anshan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., MCC Xinglong Water Co., Ltd., MCC Qinhuangdao Water Co., Ltd., China City Environment Protection Engineering Limited Company, Wenxian Zhongtuo Water Supply Co., Ltd., Qinhuangdao Funing District MCC Water Co., Ltd. and Xiangyang ENFI Environmental Protection Energy Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax refund of 70% for the sewage treatment services since 1 July 2015.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VI TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

- (j) According to the MoF 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 income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from VAT.

Hunan Zhongye Changtian Energy Conservation 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.

- (k) According to the Circular of the MoF, the State Administration of Taxation and the General Administration of Customs on Issues *Concerning Tax Policies for Encouraging the Development of Software and Integrated Circuit Industries* ("Caishui [2000] No.25"), MCC ACRE Automation Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products since 2010, with the refund rate of 14%.

- (l) According to the MoF 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%.

- (m) 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 2017. 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 2017. 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 2017.

- (n) According to the "Caishui [2016] No.94" issued by the MoF 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 MoF 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 2017. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax.

- (p) According to the "Caishui [2013] No.101" *Tax Policy on Reconstruction of Shanty Towns* issued by the MoF and the State Administration of Taxation, China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from local education surcharge and stamp duty in 2017.

- (q) According to the "Caishui [2000] No.125" issued by the MoF and the State Administration of Taxation, Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. enjoyed the exemption from house property tax for enterprise public housing lease in 2017.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
<b>Cash</b>	<b>21,757</b>	24,201
RMB	10,884	11,908
USD	2,887	1,727
EUR	190	137
AUD	329	99
HKD	151	172
Others	7,316	10,158
<b>Bank deposits</b>	<b>34,846,002</b>	36,613,768
RMB	27,588,385	30,036,304
USD	4,681,008	5,042,544
EUR	90,451	53,966
AUD	267,794	268,048
HKD	50,997	35,168
Others	2,167,367	1,177,738
<b>Other cash and bank balances</b>	<b>8,725,863</b>	8,225,421
RMB	8,635,986	8,118,234
USD	47,600	57,803
EUR	3,180	4,497
AUD	1,528	3,010
Others	37,569	41,877
<b>Total</b>	<b>43,593,622</b>	44,863,390
Including: Total amount of deposits abroad	<b>3,068,056</b>	2,452,056

As at 31 December 2017, restricted cash and bank balances was RMB7,129,488,000 (as at 31 December 2016: RMB6,151,479,000) (in Note VII66), mainly including deposits for issuing bills of RMB3,615,766,000 (as at 31 December 2016: RMB2,764,374,000), statutory deposit reserve of RMB995,230,000 (as at 31 December 2016: RMB1,045,751,000), guarantee deposits of RMB408,734,000 (as at 31 December 2016: RMB450,775,000), bid security of RMB612,951,000 (as at 31 December 2016: RMB1,090,590,000) and frozen deposits of RMB381,620,000 (as at 31 December 2016: RMB218,911,000) 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	151,451	1,044
Including: Currency funds	150,000	–
Equity instruments	1,451	1,044
<b>Total</b>	<b>151,451</b>	1,044

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 2017

## 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	10,442,605	4,775,354
Commercial acceptance bills	10,314,641	11,251,601
Total	20,757,246	16,026,955

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

All amounts in RMB'000

Items	Amount
Bank acceptance bills	1,593,067
Commercial acceptance bills	16,000
Total	1,609,067

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

As at 31 December 2017, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB10,337,657,000 (as at 31 December 2016: RMB7,147,984,000), among which the amount derecognized was RMB10,022,867,000 (as at 31 December 2016: RMB4,942,097,000). 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 RMB314,790,000 (as at 31 December 2016: RMB2,205,887,000). 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 didn't derecognized these bills receivable from the financial statements.

(4) Bills receivable with title restriction as at 31 December 2017 are set out in Note VII66.



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	1,227,287	245,457	20.00	Discounted amount of future cash flows is less than the original book value
Party 2	1,134,321	648,029	57.13	
Party 3	578,767	289,383	50.00	
Party 4	527,189	326,802	61.99	
Party 5	473,903	186,793	39.42	
Others	2,282,898	1,040,408	45.57	
Total	6,224,365	2,736,872	/	/

- (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	33,433,963	1,671,698	5.00	33,750,437	1,687,522	5.00
1 to 2 years	9,022,500	902,250	10.00	10,358,899	1,035,890	10.00
2 to 3 years	5,105,856	1,531,757	30.00	4,721,036	1,416,311	30.00
3 to 4 years	2,719,433	1,359,717	50.00	2,719,267	1,359,634	50.00
4 to 5 years	1,738,026	1,390,421	80.00	1,300,276	1,040,221	80.00
Over 5 years	2,313,315	2,313,315	100.00	1,874,010	1,874,009	100.00
Total	54,333,093	9,169,158	16.88	54,723,925	8,413,587	15.37

- (3) Provision for bad debts for the current year was RMB1,238,083,000, recovered or reversed bad debts were RMB78,718,000.

- (4) Accounts receivable written off for the current year were RMB12,335,000.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	2,910,089	3.36	463,931
Party 2	Third Party	1,743,686	2.01	161,273
Party 3	Third Party	1,561,040	1.80	–
Party 4	Third Party	1,498,716	1.73	746,578
Party 5	Third Party	1,227,790	1.41	365,507
Total	/	8,941,321	10.31	1,737,289

(6) As at 31 December 2017, 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 2016: nil).

(7) Accounts receivable with title restriction as at 31 December 2017 are set out in Note VII66.

### 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	13,979,686	72.69	7,764,242	57.85
1 to 2 years	1,882,294	9.79	2,677,573	19.95
2 to 3 years	1,690,127	8.79	1,268,474	9.45
Over 3 years	1,677,898	8.73	1,710,769	12.75
Total	19,230,005	100.00	13,421,058	100.00

As at 31 December 2017, prepayments aged over one year were RMB5,250,319,000 (as at 31 December 2016: RMB5,656,816,000), mainly including prepaid land lease payments and prepaid construction costs.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	2,746,010	14.28
Party 2	Third Party	645,570	3.36
Party 3	Third Party	410,161	2.13
Party 4	Third Party	380,684	1.98
Party 5	Third Party	361,292	1.88
Total	/	4,543,717	23.63

### 6. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests on term deposits	22,665	26,666
Total	22,665	26,666

### 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	11,560
Wuhan Zhonghe Engineering Technique Co., Ltd.	1,600	-
Bank of Communications Co., Ltd.	-	70
Total	48,257	46,727

(2) As at 31 December 2017, dividends receivable aged over one year were RMB46,657,000.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	29,020,755	18,996,123
1 to 2 years	5,223,524	8,259,895
2 to 3 years	6,415,330	3,787,880
3 to 4 years	2,307,413	1,627,409
4 to 5 years	1,211,934	741,260
Over 5 years	1,241,085	995,427
Total book value	45,420,041	34,407,994
Less: provisions for bad debts	4,091,561	2,998,039
Carrying amount	41,328,480	31,409,955

#### (2) Other receivables disclosed by category

All amounts in RMB'000

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	1,861,453	424,553	22.81	Discounted amount of future cash flows is less than the original book value.
Party 2	634,209	190,263	30.00	
Party 3	213,729	133,729	62.57	
Party 4	205,580	116,642	56.74	
Party 5	195,219	121,528	62.25	
Others	1,102,456	756,247	68.60	
Total	4,212,646	1,742,962	/	/

- (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	4,544,499	227,225	5.00	3,255,906	162,795	5.00
1 to 2 years	1,614,609	161,461	10.00	832,061	83,206	10.00
2 to 3 years	727,878	218,363	30.00	785,117	235,534	30.00
3 to 4 years	354,385	177,192	50.00	669,193	334,597	50.00
4 to 5 years	578,901	463,121	80.00	103,387	82,710	80.00
Over 5 years	675,819	675,819	100.00	658,067	658,067	100.00
Total	8,496,091	1,923,181	22.64	6,303,731	1,556,909	24.70

- (3) Provision for bad debts for the current year was RMB1,194,057,000, recovery or reversal of bad debts were RMB149,888,000.
- (4) Other receivables written off for the current year were RMB2,066,000.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

(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	Joint Venture	Loan receivables from related parties	4,912,238	Within 1 year	10.81	-
Party 2	Third Party	Receivables on disposal of investments	2,542,943	Within 4 years	5.60	-
Party 3	Associate	Loan receivables from related parties	1,861,453	Within 3 years	4.10	424,553
Party 4	Joint Venture	Loan receivables from related parties	1,718,008	Within 1 year	3.78	-
Party 5	Joint Venture	Loan receivables from related parties	1,425,075	Within 1 year	3.14	-
Total	/	/	12,459,717	/	27.43	424,553

(7) As at 31 December 2017, 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 2016: nil).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

#### (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
Nanjin Xiaguanbin River Project	2011-01-01	2020-04-30	16,728,279	10,484,513	9,108,494
Brazil Fluctuation Apartment Project	2015-06-30	2018-12-31	3,686,040	2,939,137	3,396,842
Tianjin Xinbadali District Qixianli Project	2014-12-25	2018-05-31	8,225,780	5,237,063	3,319,057
MCC 39 Street Project	2017-05-15	2018-12-31	2,639,749	1,411,206	2,085,633
MCC Tongluo Town	2014-11-01	2020-12-31	3,500,000	1,931,281	2,084,189
Singapore Tampines Apartment Project Block D	2015-10-01	2019-11-30	2,008,581	1,344,294	1,581,445
MCC Port Base Project	2015-03-01	2018-12-31	5,499,735	1,137,905	1,558,010
Qin Hai Yun Villa Project	2011-08-08	2018-12-31	4,400,000	1,688,219	1,328,243
Baotou MCC Campus South Road Community Project	2011-08-01	2019-12-31	4,100,000	1,262,321	1,307,737
Tangshan Fengrun Gengyang New City Project	2010-03-01	2020-12-31	10,550,000	1,255,828	1,038,078
Guangdong, Zhuhai, Hengqin New City Headquarters Building II	2016-12-01	2019-11-30	10,357,610	752,889	1,018,637
Hong Kong Quanwan Project	2013-12-06	2018-12-31	1,172,030	658,570	817,597
MCC Mengxianghui Plaza	2015-04-05	2018-09-30	945,700	702,426	812,090
MCC Riverside Project I&II	2013-12-31	2019-12-31	1,423,330	420,700	429,894
Hebei Qinhuangdao Yudaiwan Project	2008-12-23	2019-12-31	3,675,070	393,055	419,608
Shanghai Jinshan District - MCC Fengjunyuan Project II	2015-12-31	2019-07-30	590,516	331,929	362,092
MCC Shanghewan Project	2015-05-01	2018-12-15	618,030	270,638	352,359
Taihang Street Project	2010-04-01	2018-12-31	2,672,858	314,663	314,663
Holiday Resort of Baizhi Mountain of MCC	2014-04-01	2024-04-01	4,000,000	233,108	293,042



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
Zhenjiang Yucui Garden	2014-06-01	2019-09-01	1,317,242	430,298	270,930
Hubei Huangshi City MCC Huangshi Garden Project II	2015-01-01	2018-12-31	1,351,899	422,851	254,805
Ma'anshan, Zhongdingyue City Project	2011-09-08	2018-09-01	1,742,079	221,843	247,907
MCC Shanghe Residence Project	2014-06-20	2018-12-31	867,232	521,904	220,398
Others	/	/	65,322,851	9,450,700	3,512,891
Total	/	/	157,394,611	43,817,341	36,134,641

##### (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
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	-	1,839,586	528,327	1,311,259
Tianjin Xinbadali District Qixianli Project	2017-12-31	-	2,239,692	1,471,385	768,307
Qin Hai Yun Villa Project	2017-12-31	395,139	393,416	106,293	682,262
Chongqing, Dadukou MCC International City Project	2017-12-31	533,549	209,847	113,389	630,007
Dalian International Business City	2014-12-31	682,722	-	108,258	574,464
Tangshan Wutong Road Project	2012-10-31	497,560	3,123	39,531	461,152
Xi'an Chang'an MCC Dadu Phase 2	2017-12-31	79,017	700,621	475,609	304,029
Heilongjiang Qiqihar, Longsha District New Century Plaza Project	2013-12-30	415,204	48,129	154,840	308,493
Baotou MCC Campus South Road Community Project	2017-12-31	353,236	358,203	408,516	302,923
Guangdong, Zhuhai, Hengqin New City Headquarters Building I	2016-06-30	281,202	23,038	13,972	290,268
MCC Southern International Community	2017-12-31	126,359	372,864	211,387	287,836
Anshan Yuluanwan Project II	2014-10-30	312,833	-	29,773	283,060
Ma'anshan, Zhongdingyue City Project	2015-12-31	369,210	-	125,408	243,802
Anshan Yuluanwan Project III	2016-12-31	264,038	-	20,704	243,334
Tangshan Heliangongfang District Rebuilding Project	2012-06-30	220,099	-	-	220,099
Chongqing MCC Chongqing Morning Project	2012-12-28	215,180	-	3,107	212,073
MCC, Yuluan Wan (Xiuyan)	2017-11-30	144,110	130,632	69,908	204,834
Boulevard Project	2017-12-31	69,034	327,653	192,990	203,697
MCC Huangshi Garden Project II	2017-12-31	18,471	453,830	271,598	200,703
Others	/	5,173,467	9,822,703	11,752,032	3,244,138
Total	/	10,150,430	16,923,337	16,097,027	10,976,740

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9. Inventories (Continued)

#### (2) Provision for impairment

All amounts in RMB'000

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

(3) As at 31 December 2017, the total borrowing costs capitalized in properties under development were RMB4,493,693,000 (as at 31 December 2016: RMB4,967,166,000). Borrowing costs capitalized during the year ended 31 December 2017 amounted to RMB1,204,174,000 (for the year ended 31 December 2016: RMB1,324,715,000). The capitalization rates of borrowing costs were from 2.80% to 5.75% (for the year ended 31 December 2016: from 2.75% to 6.86%).

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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)*

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

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

As of 31 December 2017, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. Based on the assessment of the project costs, the Group is of the view that the previous estimation of project construction costs made at the end of 2012 should not have any significant change. Hence, as at 31 December 2017, the Group did not make any adjustment on the provision for loss of the project.

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 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 VII13)	2,171,927	3,745,636
Total	2,171,927	3,745,636

### 11. Other current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
VAT debit balance	2,701,741	918,292
Prepayments of enterprise income tax	534,911	579,076
Total	3,236,652	1,497,368

### 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:						
– Measured at fair value	2,143,850	117,752	2,026,098	1,668,422	97,752	1,570,670
– Measured at cost	592,963	–	592,963	436,594	–	436,594
Investment in private funds	1,550,887	117,752	1,433,135	1,231,828	97,752	1,134,076
	2,384,397	–	2,384,397	1,094,900	–	1,094,900
Total	4,528,247	117,752	4,410,495	2,763,322	97,752	2,665,570

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Available-for-sale financial assets (Continued)

(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	312,336	2,384,397	2,696,733
Fair value	592,963	2,384,397	2,977,360
Cumulative fair value changes included in other comprehensive income	280,627	–	280,627
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 sock exchanges at the last trading day of the Reporting Period.

(3) Available-for-sale financial assets measured at cost at the end of the year

All amounts in RMB'000

Company name	Book value			Provision for impairment			Percentage of shareholding		Cash dividends	
	Opening balance	Increase	Decrease	Closing balance	Opening balance	Increase	Decrease	Closing balance		in the investee (%)
Tangshan Stainless steel Co., Ltd. (Note 1X3(1)(a)(iii))	645,000	–	–	645,000	–	–	–	–	23.89	–
Chongqing Qianxin International Trade Co., Ltd.	–	300,000	–	300,000	–	–	–	–	9.00	–
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	80,000	–	–	80,000	–	–	–	–	14.45	–
China Overseas Infrastructure Development Investment Co., Ltd.	64,882	–	–	64,882	–	–	–	–	3.85	–
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd. (Note 1X3(1)(a)(iii))	48,000	–	–	48,000	48,000	–	–	48,000	20.00	–
Great Wall Life Insurance Co., Ltd.	30,000	–	–	30,000	–	–	–	–	0.54	–
Jidong Cement Luanxian Co., Ltd.	29,705	–	–	29,705	–	–	–	–	6.74	–
Hankou Bank Co., Ltd.	27,696	–	–	27,696	–	–	–	–	0.74	2,421
Kunming Hai Chen Investment Co., Ltd.	22,500	–	–	22,500	–	–	–	–	15.00	–
Shaanxi Sanjin Mining Holdings Co., Ltd. (Note 1X3(1)(a)(iii))	20,000	–	–	20,000	–	20,000	–	20,000	20.00	–
Others	264,045	51,259	32,200	283,104	49,752	–	–	49,752	/	15,834
<b>Total</b>	<b>1,231,828</b>	<b>351,259</b>	<b>32,200</b>	<b>1,550,887</b>	<b>97,752</b>	<b>20,000</b>	<b>–</b>	<b>117,752</b>	<b>/</b>	<b>18,255</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Available-for-sale financial assets (Continued)

#### (4) Provision for impairment

All amounts in RMB'000

Category	Available-for-sale equity instruments	Total
Provision at the beginning of the year	97,752	97,752
Increase in the current year	20,000	20,000
Including: Impairment losses in the current year	20,000	20,000
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	<u>117,752</u>	<u>117,752</u>

(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.

### 13. 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	15,847,773	959,733	14,888,040	12,660,112	231,373	12,428,739	
Loans to related parties and third parties	8,600,229	-	8,600,229	425,290	-	425,290	4.35%-4.90%
Receivables on disposal of equity investments	333,485	-	333,485	333,485	-	333,485	
Others (a)	1,891,351	-	1,891,351	1,835,280	-	1,835,280	
Total	<u>26,672,838</u>	<u>959,733</u>	<u>25,713,105</u>	<u>15,254,167</u>	<u>231,373</u>	<u>15,022,794</u>	/
Including: Long term receivables due within one year	<u>2,183,552</u>	<u>11,625</u>	<u>2,171,927</u>	<u>3,749,393</u>	<u>3,757</u>	<u>3,745,636</u>	/
Long term receivables due after one year	<u>24,489,286</u>	<u>948,108</u>	<u>23,541,178</u>	<u>11,504,774</u>	<u>227,616</u>	<u>11,277,158</u>	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Long-term receivables (Continued)

#### (1) Long-term receivables (Continued)

- (a) In 2005, MCC Ramu NiCo Limited (“Ramu NiCo”), a 67.02% owned subsidiary of the Company, signed a contract with three companies (the “PNG Parties”) in Papua New Guinea (“PNG”) to jointly develop and operate Ramu Nickel Project (the “Project”). The principal business activities of the Project are mining and processing nickel and cobalt mineral resources in PNG. Before 2005, preliminary work such as exploration and feasibility assessment of the Project had been done by the PNG Parties and the Project was 100% owned by the PNG Parties. In 2005, Ramu NiCo signed the Ramu Nickel Project Master Agreement (the “Master Agreement”) with the PNG Parties and agreed to be responsible for the development and construction of the Project. According to the Master Agreement, after Ramu NiCo participated in the Project, the equity interests of the Project between Ramu NiCo and the PNG Parties was 85% and 15%. The PNG Parties could inform Ramu NiCo at any time within 15 years after the Project entered into the phase of development and operation. From the informing date onward, under the premise of bearing the historical development costs of the Project that co-determined by Ramu NiCo and the PNG Parties, the PNG Parties could obtain 15% of the rights of the Project mineral products, and are responsible for bearing 15% of the Project operation costs incurred after they obtained their rights. Before the PNG Parties informed Ramu NiCo, Ramu NiCo bore all of the development and construction expenditures of the Project, assumed all liabilities and enjoyed 100% of the products produced by the Project. Either the PNG Parties finally paid off the historical development costs of the Project or at the 13th anniversary of the informing date, the PNG Parties are entitled to share additional 5% interests of the Project. Besides, after acquiring the above beneficial right to entitle 20% interests of the Project, the PNG Parties could choose to acquire further 15% interests of the Project at market fair price from Ramu NiCo.

As of 31 December 2014, as the PNG Parties had not notified Ramu NiCo for their intent to obtain the 15% beneficial interest in the Project, all of the assets, liabilities, revenues, costs and expenses of the Project were fully consolidated in the financial statements of the Group.

In 2015, the PNG Parties informed Ramu NiCo that they would acquire 15% beneficial interests in the Project, effective from 1 January 2015. The two parties agreed the historical project development costs borne by the PNG Parties would be USD190 million, which was accounted for as long-term receivables by the Group, and the construction costs of the Project reduced by the same amount correspondingly. This payment would be settled by the PNG Parties to the Group from a certain proportion of the future sales of the products of the Project by the PNG Parties. The outstanding long-term receivable from the PNG Parties by the Group is interest-bearing at a rate agreed by the PNG Parties and the Group. Meanwhile, the PNG Parties would bear 15% of the Project operation costs. As such, from 1 January 2015 onward, the proportion of the mineral products shared by Ramu NiCo would be reduced to 85%. The Group will enjoy 85% of the revenue and shared 85% of the operation costs of the Project accordingly. As at 31 December 2017, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1,240,000,000.

- (2) As at 31 December 2017, 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 transfer amounted to RMB855,000,000 (as at 31 December 2016: RMB1,800,000,000). At the view of the Group, the fair value concerned is insignificant.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14. Long-term equity investments

All amounts in RMB'000

Company name	Opening balance net of provision	Movements during the current year								Closing balance net of provision	Impairment provision
		Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current year	Others		
<b>1. Joint ventures</b>											
Guizhou Sanli Highway Construction Co., Ltd. (Note IX11(b))	135,748	510,929	-	-	-	-	-	-	-	646,677	-
Guizhou Ziwang Highway Construction Co., Ltd. (Note IX11(b))	152,946	369,647	-	-	-	-	-	-	-	522,593	-
Guizhou Sanshi Highway Construction Co., Ltd. (Note IX11(b))	75,797	254,920	-	-	-	-	-	-	-	330,717	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (Note IX11(b))	243,785	-	-	-	-	-	-	-	-	243,785	-
Tianjin Zhongji Equipment Manufacture Co., Ltd.	298,614	-	-	(80,666)	-	-	-	-	-	217,948	-
Others	413,776	990,135	(697)	30,393	(31)	-	(12,717)	(64,890)	-	1,355,969	64,890
Subtotal	1,320,666	2,125,631	(697)	(50,273)	(31)	-	(12,717)	(64,890)	-	3,317,689	64,890
<b>2. Associates</b>											
Tianjin SERI Machinery Equipment Corporation Ltd.	721,016	-	-	154	-	-	-	-	-	721,170	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	480,080	-	-	(63,110)	-	-	-	-	-	416,970	-
Nanjing Ming's Culture Co., Ltd.	298,265	-	-	81	-	-	-	-	-	298,346	-
Tianjin Tuanbo Urban Development Co., Ltd.	223,224	-	-	7,834	-	-	-	-	-	231,058	-
Yuxi Dongye Sponge City Construction and Operation Co., Ltd.	-	200,145	-	-	-	-	-	-	-	200,145	-
Others	2,120,234	1,638,937	-	(3,486)	(613)	-	(24,384)	-	-	3,730,688	56,731
Subtotal	3,842,819	1,839,082	-	(58,527)	(613)	-	(24,384)	-	-	5,598,377	56,731
Total	5,163,485	3,964,713	(697)	(108,800)	(644)	-	(37,101)	(64,890)	-	8,916,066	121,621



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
<b>I. Total original book value</b>			
1. Opening balance	2,569,490	555,941	3,125,431
2. Increase	1,988,872	3,251	1,992,123
(1) Purchase	670,508	–	670,508
(2) Transferred from fixed assets/intangible assets	36,536	3,251	39,787
(3) Transferred from inventories	797,317	–	797,317
(4) Transferred from construction in progress	414,146	–	414,146
(5) Others	70,365	–	70,365
3. Decrease	1,004,590	363	1,004,953
(1) Disposal	28,783	363	29,146
(2) Transferred to fixed assets	107,599	–	107,599
(3) Transferred to inventories	199,755	–	199,755
(4) Disposal of subsidiaries	665,869	–	665,869
(5) Others	2,584	–	2,584
4. Closing balance	3,553,772	558,829	4,112,601
<b>II. Total accumulated depreciation and amortization</b>			
1. Opening balance	552,582	86,253	638,835
2. Increase	87,554	11,980	99,534
(1) Depreciation or amortization	69,703	11,160	80,863
(2) Transferred from fixed assets/intangible assets	17,851	820	18,671
3. Decrease	11,819	65	11,884
(1) Disposal	2,110	65	2,175
(2) Transferred to fixed assets	6,880	–	6,880
(3) Transferred to inventories	1,769	–	1,769
(4) Others	1,060	–	1,060
4. Closing balance	628,317	98,168	726,485
<b>III. Total accumulated impairment provision</b>			
1. Opening balance	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. Closing balance	–	–	–
<b>IV. Total carrying amount</b>			
1. Closing balance	2,925,455	460,661	3,386,116
2. Opening balance	2,016,908	469,688	2,486,596

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment properties (Continued)

- (2) As at 31 December 2017, the Group have buildings and structures of investment properties at carrying amount of RMB306,321,000 of which the title certificates were not obtained by the Group (as at 31 December 2016: nil).

All amounts in RMB'000

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	306,321	In progress

- (3) Investment properties with title restriction as at 31 December 2017 are set out in Note VII66.

### 16. Fixed assets

- (1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>I. Total historical cost:</b>					
1. Opening balance	21,247,806	23,217,585	2,261,173	3,410,628	50,137,192
2. Increase	1,537,522	642,970	154,406	237,075	2,571,973
(1) Purchase	96,319	297,397	152,341	145,061	691,118
(2) Transferred from investment properties	107,599	-	-	-	107,599
(3) Transferred from construction in progress	1,308,019	219,751	784	60,275	1,588,829
(4) Others	25,585	125,822	1,281	31,739	184,427
3. Decrease	788,133	1,090,289	219,507	262,192	2,360,121
(1) Disposal or written-off	73,387	384,550	166,082	54,760	678,779
(2) Disposal of subsidiaries	331,477	289,449	6,812	1,553	629,291
(3) Transferred to investment properties	36,536	-	-	-	36,536
(4) Transferred to construction in progress	3,832	1,283	-	8	5,123
(5) Others	342,901	415,007	46,613	205,871	1,010,392
4. Closing balance	21,997,195	22,770,266	2,196,072	3,385,511	50,349,044

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed assets (Continued)

#### (1) Fixed assets (Continued)

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>II. Total accumulated depreciation</b>					
1. Opening balance	5,358,464	10,541,294	1,449,623	1,265,920	18,615,301
2. Increase	720,502	1,591,347	162,786	198,883	2,673,518
(1) Depreciation	709,649	1,498,801	162,420	178,310	2,549,180
(2) Transferred from investment properties	6,880	-	-	-	6,880
(3) Others	3,973	92,546	366	20,573	117,458
3. Decrease	330,080	640,740	172,512	137,998	1,281,330
(1) Disposal or written-off	60,893	323,345	142,103	46,849	573,190
(2) Disposal of subsidiaries	166,126	154,730	5,646	1,206	327,708
(3) Transferred to investment properties	17,851	-	-	-	17,851
(4) Transferred to construction in progress	115	90	-	-	205
(5) Others	85,095	162,575	24,763	89,943	362,376
4. Closing balance	5,748,886	11,491,901	1,439,897	1,326,805	20,007,489
<b>III. Total impairment provision</b>					
1. Opening balance	375,296	967,390	24,732	116,717	1,484,135
2. Increase	209,787	110,346	992	241	321,366
(1) Provision	209,787	110,346	727	241	321,101
(2) Others	-	-	265	-	265
3. Decrease	21,340	34,591	4,269	7,244	67,444
(1) Disposal or written-off	1,006	10,687	328	51	12,072
(2) Others	20,334	23,904	3,941	7,193	55,372
4. Closing balance	563,743	1,043,145	21,455	109,714	1,738,057
<b>IV. Total carrying amount of fixed assets</b>					
1. Closing balance	15,684,566	10,235,220	734,720	1,948,992	28,603,498
2. Opening balance	15,514,046	11,708,901	786,818	2,027,991	30,037,756

#### (2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	139,560	38,603	98,937	2,020	Seasonal suspension or idle
Machinery and equipment	148,139	64,584	74,397	9,158	Seasonal suspension or idle
Other equipment	9,920	8,560	1,298	62	Seasonal suspension or idle

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed assets (Continued)

(3) Fixed assets under finance leases

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	753,537	429,043	–	324,494

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	44,879
Transportation vehicles	26,958

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

Buildings and structures with an aggregate carrying amount of RMB320,297,000 (historical cost: RMB372,988,000) as at 31 December 2017 (as at 31 December 2016: carrying amount of RMB66,173,000; historical cost of RMB82,990,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	165,533	In the process
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	139,389	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	15,375	In the process

(6) Fixed assets with title restriction as at 31 December 2017 are set out in Note VII66.

(7) The total depreciation of the Group's fixed assets amounted to RMB2,549,180,000 (for the year ended 31 December 2016: RMB2,726,609,000) for the current year, of which RMB1,933,207,000, RMB17,690,000 and RMB500,258,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (for the year ended 31 December 2016: RMB1,910,893,000, RMB16,035,000 and RMB610,056,000). The amount of depreciation of the Group's fixed assets which was charged to inventories amounted to RMB98,025,000 (for the year ended 31 December 2016: RMB189,625,000).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed assets (Continued)

(8) Impairment provision for fixed assets was RMB1,738,057,000 as at 31 December 2017 (as at 31 December 2016: RMB1,484,135,000).

(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 2016, based on the impairment assessment, the accumulated impairment provision for the fixed assets of China Silicon amounted to RMB486,109,000. As at 31 December 2017, 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 12.46% (for the year ended 31 December 2016: 12.79%), and made no extra impairment provision for current year (for the year ended 31 December 2016: nil). 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, (Note VII 13(1)(a)), 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 2017, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB8,797,411,000, 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%(for the year ended 31 December 2016: 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 VII13). Based on the impairment assessment, the Group made no extra impairment provision for current period (for the year ended 31 December 2016: nil).

As at 31 December 2017, impairment provision for fixed assets which concerned Ramu Nico Project Papua New Guinea was RMB686,571,000, including the increasing accumulated impact on exchange fluctuation of U.S. dollars of RMB32,282,000. The related fixed assets belong to the resource development segment.

(c) The Group made impairment test of a certain number of fixed assets with impairment indicators. Based on the impairment assessment, the Group made an impairment provision for the fixed assets amounting to RMB321,101,000 for the year ended 31 December 2017. The related fixed assets belong to the equipment manufacture and resource development segment.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Construction in progress

#### (1) Construction in progress

All amounts in RMB'000

Item	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.	992,216	-	992,216	1,033,708	-	1,033,708
Duddar lead-zinc project	804,570	603,202	201,368	815,091	603,202	211,889
CISDI Chengdu Research and Design Center	208,935	-	208,935	159,566	-	159,566
Project in transforming steel slag line into cement production line	185,477	-	185,477	185,477	-	185,477
Office Building of the Branch of China MCC 3 Group Co., Ltd.	100,882	-	100,882	-	-	-
Fucheng International Office House	96,794	-	96,794	-	-	-
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	90,030	-	90,030	22,472	-	22,472
Large-scale multiple stamp work heavy equipment independent industrial base	67,489	-	67,489	66,170	-	66,170
Hunnan District Technology Research Center	48,421	-	48,421	26,937	-	26,937
Electronic high purity polysilicon R&D and Industrialization	24,722	-	24,722	1,456	-	1,456
Others	821,237	11,353	809,884	1,956,023	10,526	1,945,497
Total	3,440,773	614,555	2,826,218	4,266,900	613,728	3,653,172

#### (2) Movements of the significant items of construction in progress

All amounts in RMB'000

Item	Budgeted amount	Opening balance	Increase	Transfer to fixed assets/ intangible assets/ investment properties	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.	23,412,039	1,033,708	21,868	-	(63,360)	992,216	19.35	19.35	-	-	-	Self-raised funds
Duddar lead-zinc project	1,116,845	815,091	70,615	(67,926)	(13,210)	804,570	87.93	87.93	18,164	6,752	5.00	Self-raised funds & loan from financial institutions
CISDI Chengdu Research and Design Center	766,550	159,566	49,369	-	-	208,935	27.26	27.26	-	-	-	Self-raised funds
Project in transforming steel slag line into cement production line	188,832	185,477	-	-	-	185,477	98.22	98.22	-	-	-	Self-raised funds
Office Building of the Branch of China MCC 3 Group Co., Ltd.	120,882	-	100,882	-	-	100,882	83.45	83.45	-	-	-	Self-raised funds
Fucheng International Office House	105,270	-	96,794	-	-	96,794	91.95	91.95	-	-	-	Self-raised funds
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	22,472	67,558	-	-	90,030	9.00	9.00	-	-	-	Self-raised funds
Large-scale multiple stamp work heavy equipment independent industrial base	527,449	66,170	1,319	-	-	67,489	75.41	75.41	-	-	-	Self-raised funds
Hunnan District Technology Research Center	49,800	26,937	21,484	-	-	48,421	97.23	97.23	-	-	-	Self-raised funds
Electronic high purity polysilicon R&D and Industrialization	280,000	1,456	23,266	-	-	24,722	8.83	8.83	-	-	-	Self-raised funds
Others	17,004,421	1,956,023	958,154	(2,040,607)	(52,333)	821,237	/	/	7,005	9,035	/	/
Total	44,572,088	4,266,900	1,411,309	(2,108,533)	(128,903)	3,440,773	/	/	25,169	15,787	/	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Construction in progress (Continued)

(3) The Group made an impairment provision for construction in progress amounting to RMB2,211,000 for the current year (for the year ended 31 December 2016: RMB3,520,000).

- (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 2016, 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 2017, according to the latest financial forecast approved by the management and a pre-tax discount rate of 15% (for the year ended 31 December 2016: 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 2016: nil). The related construction-in-progress belong to the resource development segment.

### 18. Materials for construction of fixed assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Materials	16,507	18,180
Equipment	47,634	50,162
Tools and instruments prepared for production	648	709
Others	23	23
Total	64,812	69,074

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Intangible assets

#### (1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
<b>I. Total historical cost:</b>							
1. Opening balance	6,951,737	4,198,860	7,830,661	504,964	55,760	270	19,542,252
2. Increase	438,254	62,646	1,738,174	58,077	12,899	-	2,310,050
(1) Purchase	343,357	22,941	1,667,686	54,026	3,120	-	2,091,130
(2) Transferred from construction in progress	94,771	-	-	1,018	9,769	-	105,558
(3) Internal R&D	-	-	-	3,027	10	-	3,037
(4) Business combination	-	-	49,407	-	-	-	49,407
(5) Others	126	39,705	21,081	6	-	-	60,918
3. Decrease	25,414	174,173	728,884	2,229	795	-	931,495
(1) Disposal	11,430	-	3,487	352	-	-	15,269
(2) Disposal of subsidiaries	-	93,211	725,249	434	-	-	818,894
(3) Transferred to investment properties	3,251	-	-	-	-	-	3,251
(4) Others	10,733	80,962	148	1,443	795	-	94,081
4. Closing balance	7,364,577	4,087,333	8,839,951	560,812	67,864	270	20,920,807
<b>II. Total accumulated amortization</b>							
1. Opening balance	1,158,893	105,824	817,782	356,186	38,068	270	2,477,023
2. Increase	152,109	3,137	188,658	48,814	2,113	-	394,831
(1) Amortization	151,994	3,137	178,217	48,808	2,113	-	384,269
(2) Business combination	-	-	10,441	-	-	-	10,441
(3) Others	115	-	-	6	-	-	121
3. Decrease	4,825	54,966	1,730	1,708	-	-	63,229
(1) Disposal	2,394	-	1,723	96	-	-	4,213
(2) Disposal of subsidiaries	-	54,862	-	358	-	-	55,220
(3) Transferred to investment properties	820	-	-	-	-	-	820
(4) Others	1,611	104	7	1,254	-	-	2,976
4. Closing balance	1,306,177	53,995	1,004,710	403,292	40,181	270	2,808,625



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Intangible assets (Continued)

(1) Intangible assets (Continued)

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
<b>III. Total impairment provision</b>							
1. Opening balance	55,200	2,588,368	-	18	4,783	-	2,648,369
2. Increase	728	52,879	-	-	-	-	53,607
(1) Provision	728	13,229	-	-	-	-	13,957
(2) Others	-	39,650	-	-	-	-	39,650
3. Decrease	8,294	674	-	9	-	-	8,977
(1) Others	8,294	674	-	9	-	-	8,977
4. Closing balance	47,634	2,640,573	-	9	4,783	-	2,692,999
<b>IV. Carrying amount of intangible assets</b>							
1. Closing balance	6,010,766	1,392,765	7,835,241	157,511	22,900	-	15,419,183
2. Opening balance	5,737,644	1,504,668	7,012,879	148,760	12,909	-	14,416,860

As at 31 December 2017, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.05% (as at 31 December 2016: 0.03%).

- (2) The Group made no extra impairment provision of Cape Lambert Iron Project owned by the Group for the current year. As at 31 December 2017, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,619,063,000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB416,149,000. The related intangible assets belong to the resource development segment.
- (3) Intangible assets with title restriction as at 31 December 2017 are set out in Note VII66.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. 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	62,497	-	-	-	10,525	51,972
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
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 Fine-blanking Technology Co., Ltd.	837	-	-	-	-	837
Ningcheng County HongDa Mining Co., Ltd.	7,187	-	-	7,187	-	-
Shanghai YiGang Electrical Co., Ltd.	448	-	-	-	448	-
Total	357,259	-	-	7,187	10,973	339,099

(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	62,497	-	-	-	10,525	51,972
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	8,026	849	-	-	-	8,875
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	-	740	-	-	-	740
Shanghai YiGang Electrical Co., Ltd.	448	-	-	-	448	-
Total	184,201	1,589	-	-	10,973	174,817

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20. Goodwill (Continued)

#### (2) Impairment provision (Continued)

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 2016: 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. The recoverable value of the asset groups of the other subsidiaries, are calculated based on the present value of future cash flows as well, but not significant to the Group.

### 21. Long-term prepayments

All amounts in RMB'000

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Improvements of operating lease of fixed assets	11,937	15,183	6,508	591	20,021
Insurance expenditures	23,286	278	8,173	–	15,391
Rental expenditures	32,631	3,291	6,572	26,134	3,216
Repair expenditures	8,190	6,778	2,601	–	12,367
Others	173,313	136,334	63,740	880	245,027
Total	249,357	161,864	87,594	27,605	296,022

### 22. 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	18,794,078	3,541,061	16,546,703	3,264,476
Unrealized profit on inter-company transactions	1,522,970	337,212	1,317,523	291,397
Defined benefit plans	1,662,120	386,618	1,628,482	383,869
Deductible tax losses	375,295	82,267	630,595	150,930
Employee benefits payable	424,042	76,614	446,544	86,442
Changes in the fair value of available-for-sale financial assets	3,869	923	5,747	1,409
Others	930,525	196,303	1,095,523	232,608
Total	23,712,899	4,620,998	21,671,117	4,411,131

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Deferred tax assets and deferred tax liabilities (Continued)

(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	93,935	29,834	119,206	38,515
Changes in the fair value of available-for-sale financial assets	284,421	53,371	330,441	82,173
Others	547,500	136,129	581,186	144,836
Total	<u>925,856</u>	<u>219,334</u>	<u>1,030,833</u>	<u>265,524</u>

(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 and 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 and liabilities after offset at the beginning of the year	Deferred tax assets and liabilities after offset at the beginning of the year
Deferred tax assets	35,299	4,585,699	53,123	4,358,008
Deferred tax liabilities	<u>35,299</u>	<u>184,035</u>	<u>53,123</u>	<u>212,401</u>

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

All amounts in RMB'000

Items	Closing balance	Opening balance
Deductible temporary differences	5,740,469	4,797,369
Deductible tax losses	16,007,712	21,295,081
Total	<u>21,748,181</u>	<u>26,092,450</u>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Deferred tax assets and deferred tax liabilities (Continued)

(5) *Deductible tax losses that are not recognized as deferred tax assets will expire in the following years*

*All amounts in RMB'000*

<b>Year</b>	<b>Closing balance</b>	Opening balance
2017	–	6,665,659
2018	<b>4,754,655</b>	4,846,966
2019	<b>2,944,329</b>	3,144,828
2020	<b>2,880,689</b>	2,965,555
2021	<b>3,650,037</b>	3,672,073
2022	<b>1,778,002</b>	–
Total	<b>16,007,712</b>	21,295,081

### 23. Other non-current assets

*All amounts in RMB'000*

<b>Items</b>	<b>Closing balance</b>	Opening balance
Deposits for acquisition of assets	<b>22,660</b>	166,974
Total	<b>22,660</b>	166,974

### 24. Short-term borrowings

(1) *Categories of short-term borrowings*

*All amounts in RMB'000*

<b>Items</b>	<b>Closing balance</b>	Opening balance
Pledged loans (a)	<b>46,250</b>	228,674
Mortgaged loans (b)	<b>185,000</b>	96,000
Guaranteed loans (c)	–	485,590
Credit loans	<b>39,194,605</b>	48,930,176
Total	<b>39,425,855</b>	49,740,440

(a) Pledged loans

As at 31 December 2017, borrowings of RMB46,250,000 (as at 31 December 2016: RMB228,674,000) were secured by the pledge of the Group's accounts receivable in amount of RMB46,869,000 (as at 31 December 2016: the Group's accounts receivable and certificate of term deposits in an aggregate amount of RMB233,494,000).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Short-term borrowings (Continued)

#### (1) Categories of short-term borrowings (Continued)

##### (b) Mortgaged loans

As at 31 December 2017, borrowings of RMB185,000,000 (as at 31 December 2016: RMB96,000,000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate amount of RMB195,533,000 (as at 31 December 2016: RMB317,978,000).

##### (c) Guaranteed loans

As at 31 December 2017, the Group has no guaranteed loans from banks. (As at 31 December 2016: guaranteed loans amounting to RMB485,590,000 were guaranteed by CMGC).

(2) As at 31 December 2017, the weighted average interest rate of short-term borrowings was 4.23% per annum (as at 31 December 2016: 4.34% per annum).

### 25. Derivative financial liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Forward exchange contracts	–	17,443
Total	–	17,443

### 26. Bills payable

All amounts in RMB'000

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27. Accounts payable

#### (1) Accounts payable

All amounts in RMB'000

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

#### (2) Aging analysis of accounts payable

All amounts in RMB'000

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

#### (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	284,988	Projects not yet settled
Party 2	Third Party	139,436	
Party 3	Third Party	135,171	
Party 4	Third Party	130,092	
Party 5	Third Party	122,804	
Total	/	812,491	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Receipts in advance

(1) Receipts in advance

All amounts in RMB'000

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

(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	701,368	Projects not yet settled
Party 2	Third Party	325,727	
Party 3	Third Party	259,942	
Party 4	Third Party	207,977	
Party 5	Third Party	150,289	
Total	/	1,645,303	/

(3) Gross amounts due to contract customers of construction contracts as at 31 December 2017

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	258,704,796
Recognized profits to date	25,748,609
Less: Estimated loss	7,891
Accumulated settlement	301,563,792
Gross amounts due to contract customers	(17,118,278)



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. Employee benefits payable

#### (1) Employee benefits payable

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	1,641,601	16,104,966	16,052,525	<b>1,694,042</b>
II. Post-employment benefits -defined contribution plan	236,402	2,792,062	2,793,344	<b>235,120</b>
III. Termination benefits	14,550	73,527	86,894	<b>1,183</b>
IV. Other benefits	23,013	1,483,090	1,461,752	<b>44,351</b>
Total	<u>1,915,566</u>	<u>20,453,645</u>	<u>20,394,515</u>	<u><b>1,974,696</b></u>

#### (2) Short-term employee benefits

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Salaries, bonuses, allowances and subsidies	774,075	12,609,167	12,658,201	<b>725,041</b>
II. Staff welfare	4,910	466,706	465,049	<b>6,567</b>
III. Social insurance premiums	28,244	1,106,992	1,114,442	<b>20,794</b>
Including: Medical insurance	27,174	964,254	971,403	<b>20,025</b>
Work-related injury insurance	938	82,409	82,838	<b>509</b>
Maternity insurance	132	60,329	60,201	<b>260</b>
IV. Housing provident funds	163,112	1,619,010	1,580,204	<b>201,918</b>
V. Labor union expenditures and employees' education expenses	671,260	303,091	234,629	<b>739,722</b>
Total	<u>1,641,601</u>	<u>16,104,966</u>	<u>16,052,525</u>	<u><b>1,694,042</b></u>

#### (3) Defined contribution plan

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	145,774	2,299,492	2,308,650	<b>136,616</b>
2. Unemployment insurance	7,149	85,497	86,338	<b>6,308</b>
3. Supplementary pension	83,479	407,073	398,356	<b>92,196</b>
Total	<u>236,402</u>	<u>2,792,062</u>	<u>2,793,344</u>	<u><b>235,120</b></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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29. Employee benefits payable (Continued)

#### (3) Defined contribution plan (Continued)

The Group made deposits amounting to RMB2,792,062,000 (for the year ended 31 December 2016: RMB2,729,905,000) to the defined contribution plan for the current year. As at 31 December 2017, there was a payable amount of RMB235,120,000 (as at 31 December 2016: RMB236,402,000).

### 30. Taxes payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Value added tax	840,331	626,232
Consumption tax	8,900	6,118
Business tax (Note)	(30,127)	(174,377)
Enterprise income tax	1,295,416	1,770,653
Individual income tax	428,371	408,967
City maintenance and construction tax	92,701	72,392
Education surcharges	73,621	51,485
Land appreciation tax	551,834	195,693
Others	167,674	153,604
Total	3,428,721	3,110,767

Note: The business tax payable balance of the Group is the business tax paid in advance before May 1, 2016.

### 31. Interests payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests payable on long-term borrowings	72,336	100,916
Interests payable on corporate bonds	237,747	249,018
Interests payable on short-term borrowings	192,580	133,593
Others	49,221	10,000
Total	551,884	493,527

As at 31 December 2017, the Group did not have any significant overdue interest.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Dividends payable

All amounts in RMB'000

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

Dividends aged over one year but not settled yet is RMB431,622,000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

### 33. Other payables

#### (1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Guarantees and deposits payable	14,844,927	11,265,439
Rental payable	202,078	263,583
Utilities payable	207,114	188,503
Repair and maintenance payable	330,072	369,348
Payables for land use rights	29,852	6,900
Others	9,609,026	6,587,352
Total	25,223,069	18,681,125

#### (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	2,428,264	The settlement dates were not yet due
Party 2	Third Party	157,559	
Party 3	Related Party	136,348	
Party 4	Third Party	100,000	
Party 5	Third Party	90,551	
Total	/	2,912,722	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. 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 VII36)	11,572,993	5,164,556
Bonds payable due within one year (Note VII37)	6,204,000	8,344,725
Long-term payables due within one year (Note VII38)	267,636	511,644
Long-term employee benefits payable due within one year (Note VII39)	379,279	419,328
Total	18,423,908	14,440,253

### 35. Other current liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Amounts to be transferred to output VAT	6,236,904	3,880,005
Deferred income to be released to income statement within one year (Note VII42)	120,496	117,876
Total	6,357,400	3,997,881

### 36. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledge loans (a)	576,920	922,691
Mortgage loans (b)	8,527,779	6,630,142
Guarantee loans (c)	1,464,930	–
Credit loans	24,474,107	22,650,543
Total	35,043,736	30,203,376
Less: Long-term borrowings due within one year (Note VII34):	11,572,993	5,164,556
Including: Pledge loans	339,000	586,023
Mortgage loans	2,103,602	1,557,369
Credit loans	9,130,391	3,021,164
Long-term borrowings due over one year	23,470,743	25,038,820

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Long-term borrowings (Continued)

(1) Long-term borrowings disclosed by category (Continued)

(a) Pledge loans

As at 31 December 2017, long-term borrowings of RMB576,920,000 (as at 31 December 2016: RMB922,691,000) were secured by the pledge of the Group's accounts receivable in amount of RMB576,920,000 (as at 31 December 2016: RMB1,227,916,000).

(b) Mortgage loans

As at 31 December 2017, long-term borrowings of RMB8,527,779,000 (as at 31 December 2016: RMB6,630,142,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB12,868,560,000 (as at 31 December 2016: RMB11,103,373,000).

(c) Guaranteed loans

As at 31 December 2017, long-term borrowings of RMB1,464,930,000 were guaranteed by CMGC (as at 31 December 2016: nil).

(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	11,966,521	10,497,561
2 to 5 years	8,050,744	11,286,387
Over 5 years	3,453,478	3,254,872
Total	23,470,743	25,038,820

(3) As at 31 December 2017, the weighted average interest rate of long-term borrowings was 4.45% per annum (as at 31 December 2016: 4.77% per annum).

(4) As at 31 December 2017, the Group did not have any significant overdue long-term borrowings.

### 37. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Corporate debentures	6,774,000	6,654,000
USD debentures	6,516,675	6,906,278
SGD debentures	-	1,438,447
Total	13,290,675	14,998,725
Including: Bonds payable due within one year (Note VII/34)	6,204,000	8,344,725
Bonds payable due over one year	7,086,675	6,654,000

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. 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	-	162,684	-	-	-	2,704,000
USD debentures	3,076,850	2014-06-16	3 years	2,953,930	3,449,316	-	41,246	(80,851)	18,735	3,387,200	-
USD debentures	3,081,900	2014-08-28	3 years	3,050,434	3,456,963	-	82,256	(150,180)	10,867	3,317,650	-
Corporate Debentures											
-SGD	1,367,400	2015-05-21	2 years	1,361,151	1,438,446	-	18,353	45,267	1,437	1,485,150	-
Corporate Debentures (b)	500,000	2015-12-24	5 years	500,000	450,000	-	22,524	-	-	450,000	-
Corporate Debentures (c)	3,500,000	2016-03-03	3 years	3,500,000	3,500,000	-	168,559	-	-	-	3,500,000
USD debentures (d)	3,431,650	2017-05-31	3 years	3,411,043	-	3,411,043	56,221	(162,756)	2,383	-	3,250,670
USD debentures (e)	3,378,100	2017-07-17	3 years	3,376,770	-	3,376,770	43,638	(110,908)	143	-	3,266,005
		2017-10-24 to									
Corporate Debentures (f)	570,000	2017-10-25	5 years	570,000	-	570,000	5,221	-	-	-	570,000
Total	22,405,900	/	/	22,223,328	14,998,725	7,357,813	600,702	(459,428)	33,565	8,640,000	13,290,675

- (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 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. On 21 December 2017, the MCC Real Estate Group Co., Ltd., redeemed all bonds from the bondholders.
- (c) 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.
- (d) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 31 May 2017 at a discounted price of USD496,998,000 with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Bonds payable (Continued)

#### (2) Movements of bonds payable (Continued)

- (e) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 17 July 2017 at a discounted price of USD499,803,000 with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.
- (f) As approved by CSRC, the Company issued corporate debentures publicly from 24 October 2017 to 25 October 2017, at an equal price with the face value of RMB570,000,000, a term of five years from issuance. The debentures bear interests at a fixed rate of 4.99% per annum. Interest will be paid every half year and principal will be paid upon maturity date.

### 38. Long-term payables

#### (1) Long-term payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Finance lease payables	545,097	543,025
Housing maintenance fee payables	41,770	42,337
Funds payable	215	215
Others	779,782	776,347
<b>Total</b>	<b>1,366,864</b>	<b>1,361,924</b>
Including: Long-term payables due within one year (Note VII34)	267,636	511,644
Long-term payables due over one year	1,099,228	850,280

#### (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	249,137	290,823
2 to 5 years	407,349	156,695
Over 5 years	442,742	402,762
<b>Total</b>	<b>1,099,228</b>	<b>850,280</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38. 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	292,552	244,148
The second year after balance sheet	174,679	306,024
The third year after balance sheet	51,938	34,596
Subsequent years	72,875	16,716
Minimum lease payments	592,044	601,484
Less: Unrecognized finance costs	46,947	58,459
Finance lease payables	545,097	543,025
Including: Amount due for settlement within one year	267,509	211,474
Amount due for settlement after one year	277,588	331,551

### 39. 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	3,933,492	4,066,001
Total	3,933,492	4,066,001
Including: Long-term employee benefits payable due within one year (NoteVII34)	379,279	419,328
Long-term employee benefits payable due over one year	3,554,213	3,646,673



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Long-term employee benefits payable (Continued)

#### (1) Long-term employee benefits payable (Continued)

##### (a) Movements in the defined benefit plan

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Opening balance	4,066,001	4,428,459
II. Defined benefit costs recognized in profit or loss	157,870	123,280
1. Current service cost	-	-
2. Past service cost	42,680	499
3. Net interest expense	115,190	122,781
III. Defined benefit costs recognized in other comprehensive income	161,001	4,938
1. Actuarial losses	161,001	4,938
IV. Other movements	(451,380)	(490,676)
1. Benefits paid	(451,380)	(490,676)
V. Closing balance	3,933,492	4,066,001

#### (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 "Willis Towers Watson" (formerly named as: 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 to 8 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	379,279	1,239,594	1,099,430	1,999,554	4,717,857

- (d) Defined benefits plan exposes the Group in various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The increase of the life expectancy will increase the defined benefit plan obligations.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39. Long-term employee benefits payable (Continued)

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

(a) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	31 December 2017	31 December 2016
Discount rate	4.00%	3.00%
Mortality rate	CLA CL5/CL6 up 3	CLA 2000-03 up 2
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

(b) The sensitivity analysis of the major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group were as follows:

	Impact on present value of the defined benefit obligations		
	Assumed changes	Assumed increase	Assumed decrease
Discount rate	0.25%	Decrease by 1.70%	Increase by 1.80%
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 3.00%	Decrease by 2.60%

The sensitivity analysis above was prepared based on the change of one assumption but all other variables were held constant. However, the assumptions above are usually inter-related. The calculation of the present value of the defined benefit obligation in the sensitivity analysis above is also adopted the projected unit credit actuarial cost method.

Method and type of significant assumptions used in the sensitivity analysis for the current year remained unchanged comparing with the previous year.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. 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	33	33	47
Special payables for water/power/gas supply and property (Note)	–	169,000	858	168,142
Others	6,521	800	3,947	3,374
Total	7,175	169,833	4,838	172,170

Note: The Company has commenced the transfer of water/power/gas supply and property with the received special payables for water/power/gas supply and property aggregated to the special payables for settlement, in accordance with the *Notice of Rewarding the Guidance on the Separation and Transfer of Water/Power/Gas Supply and Property in Residential Quarters for Employees of the State-owned Enterprises by State-owned Assets Supervision and Administration Commission of the State Council, the MoF from the General Office of the State Council* (Guo Ban Fa [2016] No.45), and the *Management of Central Government Grants on the Separation and Transfer of Water/Power/Gas Supply and Property to Employees and Their Relatives of Central Enterprises* (Cai Zi [2016] No.38) and other related management documents etc.

### 41. Provisions

All amounts in RMB'000

Items	Closing balance	Opening balance	Reasons
Pending litigations	29,346	23,234	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	6,677	7,298	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	213,629	199,264	Because of the resource development contract, the Group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Others	20,820	339,080	Others
Total	270,472	568,876	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 42. Deferred income

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants	1,306,978	222,946	289,651	1,240,273	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	193,197	14,736	55,737	152,196	Others
<b>Total</b>	<b>1,500,175</b>	<b>237,682</b>	<b>345,388</b>	<b>1,392,469</b>	/
Including: Deferred income to be released to profit and loss within one year (Note VII35)	117,876	/	/	120,496	/
Deferred income to be released to profit and loss over one year	1,382,299	/	/	1,271,973	/

### 43. Share capital

All amounts in RMB'000

	Opening balance	Movements during the current year				Subtotal	Closing balance
		Issue of new shares	Bonus issue	Shares converted from capital reserve	Others		
Total shares	20,723,619	-	-	-	-	-	20,723,619

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. Other equity instruments

(1) *The basic information of the perpetual bond or other financial instruments in issue at the end of the year*

(a) 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	Zhongshixiezhū [2015] MTN164	Zhongshixiezhū [2015] MTN677	Zhongshixiezhū [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.

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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. 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)*

(b) By the approval of CSRC, the Company issued four renewable corporate bonds in 2017 in public. Details of the issue are as follows:

Issue	Public issue of renewable corporate bonds in 2017 (First Issue)	Public issue of renewable corporate bonds in 2017 (Second Issue)	Public issue of renewable corporate bonds in 2017 (Third Issue)	Public issue of renewable corporate bonds in 2017 (Fourth Issue)
Approval document number		Zheng Jian Xu Ke [2016] Notice No. 3073		
Date of issues	28 February to 1 March 2017	10 March to 13 March 2017	10 July to 11 July 2017	27 July to 28 July 2017
Total amount actually issued	RMB2,700,000,000	RMB2,000,000,000	RMB2,000,000,000	RMB1,300,000,000
Term	The notes are on a long-term basis until redemption by the Company according to the issuance provisions			
Right of redemption	Every three interest year forms one period, at the end of each period, the Company is entitled to renew one period or choose to redeem bonds in full amount at the end of each period, and the exercise of extending period are not subject to restriction on times. During each period, the Company may not redeem the bonds unless the following scenario: (1) the issuer decides to redeem the bonds due to changes in tax policy; (2) the issuer decides to redeem the bonds due to changes in accounting standards.			
Interest rate	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.	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.	The coupon is 5.10% 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 5.10% 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.

Unless mandatory interest payment event happens, at each of the interest payment date of the renewable corporate bonds, 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 renewable corporate bonds 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) Reduction of registered capital.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. Other equity instruments (Continued)

#### (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 (a)	5,000	4,925,000	-	-	-	-	5,000	4,925,000
Second tranche of medium term notes of 2015 (a)	2,500	2,479,975	-	-	-	-	2,500	2,479,975
Third tranche of medium term notes of 2015 (a)	2,500	2,479,975	-	-	-	-	2,500	2,479,975
Public renewable corporate bonds of 2017 (first issue) (b)	-	-	2,700	2,699,779	-	-	2,700	2,699,779
Public renewable corporate bonds of 2017 (second issue) (b)	-	-	2,000	1,999,836	-	-	2,000	1,999,836
Public renewable corporate bonds of 2017 (third issue) (b)	-	-	2,000	1,999,803	-	-	2,000	1,999,803
Public renewable corporate bonds of 2017 (fourth issue) (b)	-	-	1,300	1,299,872	-	-	1,300	1,299,872
<b>Total</b>	<b>10,000</b>	<b>9,884,950</b>	<b>8,000</b>	<b>7,999,290</b>	<b>-</b>	<b>-</b>	<b>18,000</b>	<b>17,884,240</b>

(a) The three tranches of medium term notes of 2015 were recognized as other equity instrument in full amount received of RMB10,000,000,000 deducted by the issuing costs of RMB115,050,000 totally.

(b) The four tranches of renewable corporate bonds of 2017 were recognized as other equity instrument in full amount received of RMB8,000,000,000 deducted by the issuing costs of RMB710,000 totally.

### 45. Capital reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	22,507,192	-	-	22,507,192
Other capital reserve	(68,848)	101,974	12,651	20,475
<b>Total</b>	<b>22,438,344</b>	<b>101,974</b>	<b>12,651</b>	<b>22,527,667</b>

Note: Changes in capital reserve for the year is mainly due to the influence from equity transactions with minority shareholders, with details in Note IX 2.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Other comprehensive income

All amounts in RMB'000

Items	Opening balance	Other comprehensive income before tax for the year	Movements during the current year				Closing balance
			Less: Amount included in other comprehensive income in the prior years that is transferred to profit or loss for current year	Less: Income tax expenses	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	37,757	(161,001)	-	383	(157,365)	(4,019)	(119,608)
Including: Remeasurement of defined benefit obligations	37,757	(161,001)	-	383	(157,365)	(4,019)	(119,608)
2. Other comprehensive income that may be reclassified subsequently to profit or loss:	151,300	(42,101)	(2,631)	(27,093)	(26,474)	14,097	124,826
Including: Net (loss) gain on revaluation of available-for-sale financial assets	213,186	(10,325)	(2,631)	(20,770)	12,762	314	225,948
Exchange differences on translating foreign operations	(61,886)	(31,132)	-	(6,323)	(38,690)	13,881	(100,576)
Share of other comprehensive income of the investee accounted for using the equity method	-	(644)	-	-	(546)	(98)	(546)
<b>Total comprehensive income</b>	<b>189,057</b>	<b>(203,102)</b>	<b>(2,631)</b>	<b>(26,710)</b>	<b>(183,839)</b>	<b>10,078</b>	<b>5,218</b>

### 47. Special reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Production safety fee	12,550	2,782,860	2,782,860	12,550
<b>Total</b>	<b>12,550</b>	<b>2,782,860</b>	<b>2,782,860</b>	<b>12,550</b>



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48. Surplus reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve (a)	1,100,651	237,964	–	1,338,615
Total	1,100,651	237,964	–	1,338,615

- (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 RMB237,964,000 for the year ended 31 December 2017 (for the year ended 31 December 2016: RMB401,779,000), to the statutory surplus reserve.

### 49. Retained earnings

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Opening balance	16,203,904	12,782,248
Add: Net profit attributable to shareholders of the Company for the current year	6,061,488	5,375,858
Less: Appropriation to statutory surplus reserve (Note VII48(a))	237,964	401,779
Less: Declaration of dividends on ordinary shares (a)	1,243,417	1,051,050
Less: Declaration of dividends on perpetual bonds (c)	776,091	501,373
Closing balance (b)/(c)	20,007,920	16,203,904

- (a) In accordance with the resolution at the 2016 first extraordinary general meeting of shareholders on 26 June 2017, a final cash dividend of RMB0.6 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,243,417,000. These dividends had been paid in the current year.
- (b) As at 31 December 2017, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB10,561,908,000 (as at 31 December 2016: RMB9,717,285,000).
- (c) Dividends on perpetual bond amounted to RMB776,091,000 for the current year (for the year ended 31 December 2016: RMB501,373,000). As at 31 December 2017, retained earnings contained no interests belong to the perpetual bond holders (as at 31 December 2016: nil).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. 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	243,016,757	211,525,460	218,300,773	190,430,766
Other business	983,107	526,845	1,256,806	939,071
Total	<u>243,999,864</u>	<u>212,052,305</u>	<u>219,557,579</u>	<u>191,369,837</u>

(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 RMB11,507,373,000 (for the year ended 31 December 2016: RMB11,569,655,000), accounting for 4.72% of the total operating revenue of the Group (for the year ended 31 December 2016: 5.27%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	3,979,742	1.64
Party 2	2,091,628	0.86
Party 3	1,928,627	0.79
Party 4	1,836,429	0.75
Party 5	1,670,947	0.68
Total	<u>11,507,373</u>	<u>4.72</u>

### 51. Taxes and levies

All amounts in RMB'000

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 51. Taxes and levies (Continued)

According to the *Provisional Regulations of the People's Republic of China on Value Added Tax and 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 MoF formulated the *Provisions on the Accounting Treatment of VAT* (Caikuai [2016] 22) in 2016. The Group payed 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. Property tax, land use tax, stamp duty and other related taxes shall be accounted and presented in "Taxes and levies".

### 52. Selling expenses

All amounts in RMB'000

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

### 53. Administrative expenses

All amounts in RMB'000

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

The administrative expenses for the current year include audit fees of RMB39,316,000 (for the year ended 31 December 2016: RMB38,306,000), among which audit fees for internal control for the current year amounted to RMB2,700,000 (for the year ended 31 December 2016: RMB2,700,000).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 54. Financial expenses

All amounts in RMB'000

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

### 55. Impairment losses of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	2,931,894	3,389,780
Including: Accounts receivable bad debts (Note VII4(3))	1,159,365	2,701,199
Other receivables bad debts (Note VII8(3))	1,044,169	597,165
Long-term receivables bad debts (Note VII13(1))	728,360	91,416
2. Impairment of inventories (Note VII9(2))	558,146	590,020
3. Impairment of available-for-sale financial assets (Note VII12(4))	20,000	4,458
4. Impairment of long-term equity investment (Note VII14)	64,890	–
5. Impairment of fixed assets (Note VII1716(1))	321,101	34,888
6. Impairment of construction in progress (Note VII17(3))	2,211	3,520
7. Impairment of intangible assets (Note VII19(1))	13,957	4,783
8. Impairment of goodwill (Note VII20(2))	1,589	675
9. Others	(5,160)	(5,067)
Total	3,908,628	4,023,057

### 56. 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	222	(111)
Losses arising on changes in fair value of derivative financial liabilities	–	(3,104)
Total	222	(3,215)

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 57. Investment income

All amounts in RMB'000

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

### 58. Gains on disposal of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Gains on disposal of fixed assets	45,895	78,556
Gains on disposal of intangible assets	53,118	6,412
Total	99,013	84,968

### 59. Other income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Related to income/assets
Tax returns	105,059	-	Related to income
Research subsidy	8,060	-	Related to assets/income
Compensation for land demolition	15,974	-	Related to assets
Others	71,243	-	Related to assets/income
Total	200,336	-	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 60. Non-operating income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current year
Income from penalty	57,000	130,178	57,000
Gains on inventory taking	182	10	182
Government grants irrelevant to ordinary courses	167,255	707,110	167,255
Approved unpayable balances	76,571	27,431	76,571
Difference between combination costs and shares of the fair value of net realizable assets of the combined entity arising from business combination not involving enterprises under common control	599	–	599
Others	137,029	307,660	137,029
Total	438,636	1,172,389	438,636

### 61. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current year
Non-recurring losses	1,713	381,204	1,713
Fines and surcharges for overdue payments	53,295	30,772	53,295
Compensation and default payments	70,237	38,578	70,237
Losses on written-off of fixed assets	2,976	90	2,976
Others	114,848	153,203	114,848
Total	243,069	603,847	243,069

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 62. Income tax expense

#### (1) Income tax expense

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Current year tax expense	2,498,985	2,400,380
Deferred tax expenses	(236,153)	(722,256)
Total	2,262,832	1,678,124

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

All amounts in RMB'000

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

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

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

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	(161,001)	(4,938)
Less: Income tax effects on re-measurement of defined benefit obligations	383	2,008
Subtotal	(161,384)	(6,946)
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	(10,325)	(41,875)
Less: Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current year	(2,631)	3,705
Less: Income tax effects on available-for-sale financial assets	(20,770)	(11,143)
Subtotal	13,076	(34,437)
2. Share of the investee's other comprehensive income under equity method	(644)	-
Less: Income tax effects on share of the investee's other comprehensive income under equity method	-	-
Subtotal	(644)	-
3. Exchange differences on translating foreign operations	(31,132)	73,948
Less: Amount transferred to profit or loss for the current year on disposal of foreign operations	-	-
Less: Income tax effects on the exchange differences on translating foreign operations	(6,323)	(4,684)
Subtotal	(24,809)	78,632
Total	(173,761)	37,249



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Notes to items in the cash flow statements

#### (1) Other cash receipts relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Receipts of deposits and guarantee funds	3,579,487	1,509,104
Interest income	525,149	514,056
Recovery of receivables	3,520,964	26,140
Government grants received	470,615	599,632
Petty cash funds returned by employees	9,569	7,088
Others	243,572	531,845
	8,349,356	3,187,865

#### (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	96,569	4,159,793
Research and development expenses	4,061,346	2,129,891
Payments for retirement benefits	451,380	490,676
Travelling expenses	570,959	471,749
Office expenses	684,419	678,024
Repairment and maintenance expenses	209,894	73,085
Advertising and sales service expenses	478,194	423,245
Settlements for payables	829,951	537,276
Conference expenses and association fees	12,926	11,685
Others	1,975,645	1,633,116
	9,371,283	10,608,540

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Notes to items in the cash flow statements (Continued)

#### (3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Cash receipts on interest incomes of receivables and financial investments	238,348	244,294
Cash receipts from asset-related government grants	98,028	129,049
Net cash flow receipts from acquisition of subsidiaries	28,986	–
Total	365,362	373,343

#### (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	9,607,508	389,273
Total	9,607,508	389,273

#### (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	978,009	1,157,151
Settlements of finance lease obligations	270,428	399,117
Transactions with non-controlling interests	52,208	–
Total	1,300,645	1,556,268

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 65. Supplementary information of the cash flow statements

(1) *Supplementary information of the cash flow statements*

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	6,711,854	5,969,647
Add: Provision for impairment losses of assets	3,908,628	4,023,057
Depreciation of fixed assets and amortization of investment properties	2,532,018	2,610,694
Amortization of intangible assets	383,497	365,272
Amortization of long-term prepayments	79,959	77,373
Gains on disposal of fixed assets, intangible assets and other long-term assets	(99,013)	(84,968)
The excess of the fair value of identifiable net assets acquired over the cost of combination	(599)	-
Losses on written-off of fixed assets	2,976	90
(Gains) Losses from changes in fair value	(222)	3,215
Financial expenses	3,303,245	2,764,613
Investment income	(548,870)	(410,385)
Increase in deferred tax assets	(215,965)	(616,166)
Decrease in deferred tax liabilities	(20,188)	(106,090)
Decrease (increase) in inventories	3,518,979	(7,046,061)
Increase in receivables from operating activities	(18,884,783)	(12,572,332)
Increase in payables from operating activities	17,746,331	23,580,590
Net cash flows from operating activities	18,417,847	18,558,549
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	36,464,134	38,711,911
Less: Opening balance of cash	38,711,911	28,736,378
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase in cash and cash equivalents	(2,247,777)	9,975,533

(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	36,096
Less: Cash and cash equivalents held by subsidiaries and business units	7,018
Add: Cash and cash equivalents received from disposal of subsidiaries in the previous year	-
Net cash receipts from disposal of subsidiaries	29,078

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 65. Supplementary information of the cash flow statements (Continued)

(3) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	<b>36,464,134</b>	38,711,911
Including: Cash on hand	<b>21,757</b>	24,201
Bank deposits without restriction	<b>34,846,002</b>	36,613,768
Other cash and bank balances without restriction	<b>1,596,375</b>	2,073,942
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	<b>36,464,134</b>	38,711,911
Including: Cash and cash equivalents of the Company or within the Group with restriction	-	-
	-	-

### 66. Assets with title restrictions

All amounts in RMB'000

Items	Closing book value	Reasons
Cash and bank balances	<b>7,129,488</b>	Freeze/Control
Bills receivable	<b>1,609,067</b>	Pledge
Bills receivable	<b>314,790</b>	Endorsed or discounted
Accounts receivable	<b>623,789</b>	Pledge
Inventories	<b>11,623,916</b>	Mortgage
Investment properties	<b>587,232</b>	Mortgage
Fixed assets	<b>390,122</b>	Mortgage
Fixed assets	<b>179,095</b>	Others-Freeze
Intangible assets	<b>462,823</b>	Mortgage
Intangible assets	<b>86,763</b>	Others-Freeze
Total	<b>23,007,085</b>	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 67. Foreign currencies denominated items

(1) Foreign currencies denominated items

All amounts in RMB'000

Items	Foreign currency at the end of the year	Exchange rate	RMB at the end of the year
<b>Cash and bank balances</b>			4,622,097
Including: USD	499,295	6.5342	3,262,491
EUR	12,025	7.8023	93,821
AUD	51,148	5.0928	260,485
HKD	17,022	0.8359	14,229
RMB	56,273	1.0000	56,273
Others	/	/	934,798
<b>Interests receivable</b>			401,841
Including: USD	57,399	6.5342	375,056
AUD	3,767	5.0928	19,186
Others	/	/	7,599
<b>Accounts receivable</b>			947,164
Including: USD	71,550	6.5342	467,525
AUD	1,000	5.0928	5,093
Others	/	/	474,546
<b>Other receivables</b>			2,116,343
Including: USD	179,908	6.5342	1,175,554
AUD	129,275	5.0928	658,374
RMB	37,928	1.0000	37,928
Others	/	/	244,487
<b>Short-term borrowings</b>			507,122
Including: USD	50,000	6.5342	326,710
Others	/	/	180,412
<b>Accounts payable</b>			580,832
Including: USD	32,757	6.5342	214,038
EUR	3,629	7.8023	28,317
AUD	565	5.0928	2,877
RMB	152,697	1.0000	152,697
Others	/	/	182,903
<b>Other payables</b>			10,624,344
Including: USD	359,562	6.5342	2,349,452
AUD	39,096	5.0928	199,109
RMB	7,746,561	1.0000	7,746,561
Others	/	/	329,222
<b>Long-term borrowings</b>			2,822,774
Including: USD	432,000	6.5342	2,822,774

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 67. Foreign currencies denominated items (Continued)

(2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Limited	Hong Kong	US Dollar	
MCC Ramu NiCo Ltd.	Papua New Guinea	US Dollar	

The functional currencies of the Group's major foreign operations have not changed during the Reporting Period.

### 68. Government grants

(1) Basic information of Government grants

All amounts in RMB'000

Government grants	Category	The amount received this year	The listed items	The amount recognized in profit or loss
Government grants to the comprehensive underground tunnel project for the new city	Related to assets	58,678	Deferred income	-
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Related to income	56,479	Deferred income/ Administrative expenses	54,948
Tax return from Baoshan Luodian Development Zone	Related to income	42,000	Non-operating income	42,000
Infrastructure construction fund	Related to income	28,063	Non-operating income	28,063
Development Subsidy of Ministry of Finance, Baoshan District, Shanghai	Related to income	28,000	Other income	28,000
Science and Technology Support Funding of Dalian High-tech Industrial Park	Related to income	20,310	Deferred income/ Operating cost	20,310
Pension expenditure to retirees allocated from the Ministry of Science and Technology	Related to income	20,164	Non-operating income	20,164
Compensation for demolition of Fuyang Road	Related to income	20,000	Other income	20,000
Special subsidy for supporting service area of Chongqing Tieshanping Ecological Zone	Related to income	10,000	Deferred income	-

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 68. Government grants (Continued)

#### (1) Basic information of Government grants (Continued)

All amounts in RMB'000

Government grants	Category	The amount received this year	The listed items	The amount recognized in profit or loss
Equipment subsidy for training center and teaching stadium of Panzhihua Technician School	Related to assets	10,000	Deferred income	-
Others	Related to assets/ Related to income	274,949	Deferred income/ Operating cost/ Administrative expenses/ Other income/ Non-operating income	421,063
Total	/	568,643	/	634,548

(2) During the Reporting Period, the Group has returned government grants of RMB3,347,000 in total.

## VIII CHANGES OF THE SCOPE OF CONSOLIDATION

### 1. Business combinations not involving enterprises under common control

#### (1) Business combinations not involving enterprises under common control occurred in the current year

All amounts in RMB'000

Name of the acquiree	Date of shares acquired	Cost of shares acquired	Proportion of shares acquired (%)	Method of shares acquired	Date of acquisition	The basis of determining the date of acquisition	Post-acquisition revenue in the current year	Post-acquisition profit in the current year
Entity 1	2017-09-21	3,876	100.00	Negotiating transfer	2017-09-21	Actual control date by management	1,705	27

#### (2) Cost of combination and goodwill

All amounts in RMB'000

Cost of combination	Entity 1
Cash	3,876
Total cost of the combination	3,876
Less: The share of the fair value of the acquiree's identifiable net assets	4,475
The excess of the fair value of identifiable net assets acquired over the cost of combination	(599)

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VIII CHANGES OF THE SCOPE OF CONSOLIDATION (CONTINUED)

### 1. Business combinations not involving enterprises under common control (Continued)

#### (3) Identifiable assets, liabilities of acquiree at the date of acquisition

All amounts in RMB'000

	Entity 1	
	Fair value at the date of acquisition	Carrying amount at the date of acquisition
Assets:	75,527	71,831
Current assets	36,561	36,561
Including: Bank and cash balances	32,861	32,861
Non-current assets	38,966	35,270
Liabilities:	71,052	71,052
Current liabilities	65,260	65,260
Non-current liabilities	5,792	5,792
Net assets	4,475	779
Less: Non-controlling interests	–	–
Net assets obtained	<u>4,475</u>	<u>779</u>

The fair values of the identifiable assets and liabilities of acquiree at the date of acquisition shall be determined based on assets valuation report issued by independent evaluation agency.



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## VIII CHANGES OF THE SCOPE OF CONSOLIDATION (CONTINUED)

### 2. Disposal of subsidiaries

#### (1) Disposal of subsidiaries through single transaction

All amounts in RMB'000

Name of the subsidiary	Sales proceeds	Percentage of equity interest disposed (%)	Method of disposal	Disposal date	The basis of determining disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal	Proportion of the retained interests on disposal date (%)	Carrying amount of the retained interests on disposal date	Fair value of the retained interests on disposal date	Amounts recognized in profit or loss from re-measuring interests in accord with its fair value	Key factors and assumptions used in determining the fair value on disposal date	Cumulative gain reclassified from other comprehensive income to profit or loss on disposal
Zhenjiang MCC CERI Real Estate Co., Ltd.	239,385	65.00	Transfer agreement	2017-12-16	The date of actual loss of control	388,560	-	-	-	-	N/A	-
Qiqihar North MCC Real Estate Co., Ltd.	N/A	N/A	Involving new shareholders	2017-12-20	The date of actual loss of control	N/A	45.00	119,532	189,023	69,491	Assessment method: asset basis method Key assumption: future cash flow and discount rate, similar market transaction price on the assessment basis date and indicator difference discount	-
Others	36,096	/ /	/	/	The date of actual loss of control	3,413	/	34,186	103,618	69,432	/	-
<b>Total</b>	<b>275,481</b>	<b>/ /</b>	<b>/</b>	<b>/</b>	<b>/</b>	<b>391,973</b>	<b>/</b>	<b>153,718</b>	<b>292,641</b>	<b>138,923</b>	<b>/</b>	<b>-</b>

The Group achieved gains of RMB530,896,000 arising on losing control of above subsidiaries, which was presented in investment income in the consolidated financial statements(Note VII57).The Group achieved net cash inflow of RMB29,078,000 arising on losing control of above subsidiaries.

### 3. Other reasons of the change for scope of consolidation

Except for above disposal of subsidiaries, there were no significant changes of the scope of consolidation for the current period except for the newly incorporated MCC Rail Transit Co., Ltd., MCC Zhongyuan Construction Investment Co., Ltd. and MCC Integrated Pipe Network Technology & Development Co., Ltd. and MCC Vietnam Engineering Technology Co., Ltd.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	12.49	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	88.89	-	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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## IX INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution 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 Metallurgical Equipment Research Design Institute Co., 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	Ma'anshan	EPC	85.10	-	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Ma'anshan	Engineering contracting	72.39	-	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.99	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	83.08	-	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

# FINANCIAL STATEMENTS

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## IX INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution 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
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	-	Established through investments
MCC South China Construction Investment Co., Ltd.	China	Shenzhen	Engineering contracting	51.00	-	Established through investments
MCC Rail Transit Co., Ltd.	China	Langfang	Engineering contracting	100.00	-	Established through investments
MCC Zhongyuan Construction Investment Co., Ltd.	China	Zhengzhou	Engineering contracting	100.00	-	Established through investments
MCC Integrated Pipe Network Technology & Development Co., Ltd.	China	Baoding	Underground pipe gallery technology & development	100.00	-	Established through investments
MCC Vietnam Engineering Technology Co., Ltd.	Vietnam	Vietnam	Engineering contracting	100.00	-	Established through investments

Notes: Except for the Company, MCC Holding (Hong Kong) Corporation Limited, 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 publicly.

- (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.

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## IX INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

##### (b) (Continued)

- (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	Signing a concerted action agreement with the other shareholder, the Group can control the investee.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Shenzhen Qianhai Public Safety Science Research Institute Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Jingjinji MCC Minxin Infrastructure Construction Co., Ltd.	30.00	According to the agreement among shareholders, the Group can control the investee.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.

- (ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
Fuzhou MCC Infrastructure Investment Co., Ltd.	90.00	The other shareholder has a veto right, recognized as a joint venture.
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	90.00	The other shareholder can determine the investee's related activities, recognized as an associate.
Wuhan MCC Xianglong Chuanhe Construction Management Co., Ltd.	80.23	Each shareholder has a veto right, recognized as a joint venture.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## IX INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) (Continued)

(ii) (Continued)

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
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.
Zhengzhou Baoye Zhicheng Pipe Network Construction and Management Co., Ltd.	80.00	Each shareholder has a veto right, 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))
Xuzhou MCC Chengdong Express Way Co., Ltd.	70.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Gansu ENFI New Energy Co., Ltd.	70.00	Under liquidation procedure.
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	66.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Sichuan Xinyejieda Air-conditioning Technology Co., Ltd.	60.00	Under liquidation procedure.
Beijing New Century Hotel Co., Ltd.	60.00	Each shareholder has a veto right, recognized as a joint venture.
Guizhou Ziwang Highway Construction Co., Ltd.	59.96	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))

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## IX INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

(1) *The constitution of the Group (Continued)*

(b) (Continued)

(ii) (Continued)

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
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
Ma'anshan MCC Huaxin Water Environment Management Co., Ltd.	55.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Ningcheng County HongDa Mining Co., Ltd.	54.00	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
Lahore Xingzhong Renewable Energy Co. Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Zhuhai MCC Jianxin Investment Management Partnership (LP)	50.99	The other shareholder can determine the investee's related activities, recognized as an associate.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	31,552	369	1,572,620
WISDRI Engineering & Research Incorporation Limited	16.92	113,695	20,917	1,524,507
China MCC 20 Group Co., Ltd.	31.00	44,804	489	1,297,515
China MCC 17 Group Co., Ltd.	27.61	138,946	33,730	957,124
MCC Capital Engineering & Research Incorporation Limited	11.11	(154,476)	48,786	573,027

(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	Closing balance						Opening balance (Restated)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China First Metallurgical Group Co., Ltd. /Note/	18,744,881	3,256,460	22,001,341	15,994,547	1,427,336	17,421,883	17,517,819	2,684,269	20,202,088	14,722,086	1,233,595	15,955,681
WISDRI Engineering & Research Incorporation Limited /Note/	13,659,506	4,066,878	17,726,384	11,305,741	219,244	11,524,985	11,706,301	3,562,078	15,268,379	9,174,924	253,681	9,428,605
China MCC 20 Group Co., Ltd. /Note/	22,341,040	3,448,890	25,789,930	21,069,268	417,760	21,487,028	26,242,957	2,046,261	28,289,218	23,276,844	693,466	23,970,310
China MCC 17 Group Co., Ltd.	14,424,411	1,908,712	16,333,123	12,254,791	623,116	12,877,907	12,396,742	1,643,304	14,040,046	10,209,622	844,839	11,054,461
MCC Capital Engineering & Research Incorporation Limited /Note/	13,403,156	3,137,807	16,540,963	12,168,785	198,763	12,367,548	11,269,903	3,575,446	14,845,349	10,270,939	329,468	10,600,407



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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(Restated)			
	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. (Note)	15,797,332	338,391	334,100	419,792	15,264,169	313,867	270,116	464,440
WISDRI Engineering & Research Incorporation Limited (Note)	7,642,983	445,032	444,257	1,225,697	7,537,042	464,683	456,612	905,615
China MCC 20 Group Co., Ltd. (Note)	15,541,353	175,794	163,468	864,614	23,058,879	655,917	680,984	1,885,819
China MCC 17 Group Co., Ltd. MCC Capital Engineering & Research Incorporation Limited (Note)	17,127,636	503,146	500,162	884,070	13,588,967	432,705	425,998	759,456
	7,830,466	1,339	(4,843)	1,102,533	7,045,948	132,094	115,597	829,102

Note: The opening balance and the amount for the prior year of China First Metallurgical Group Co., Ltd., WISDRI Engineering & Research Incorporation Limited, China MCC 20 Group Co., Ltd. and MCC Capital Engineering & Research Incorporation Limited were restated because of business combination under common control.

### 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 MCC Capital Engineering & Research Incorporation Limited in the form of its entire long-term equity investment in a non-wholly owned subsidiary, Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in MCC Capital Engineering & Research Incorporation Limited by the Group increased from 87% to 88.89%. The transaction reduced the Group's non-controlling interest of RMB86,780,000, and increased the Group's capital surplus of RMB86,780,000.
- (b) For the current year, the Group made further capital contribution to WISDRI Engineering & Research Incorporation Limited in the form of its entire long-term equity investment in a non-wholly owned subsidiary, Wuhan Iron and Steel Design & Research Incorporation Limited. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in WISDRI Engineering & Research Incorporation Limited by the Group increased from 82.56% to 83.08%. The transaction increased the Group's non-controlling interest of RMB1,598,000 and reduced the Group's capital surplus of RMB1,598,000.
- (c) For the current year, the Group's subsidiary Huatian Engineering & Technology Corporation, MCC, Zhong Ye Chang Tian International Engineering Co., Ltd., Shanghai Baoye Group Corp., Ltd., China MCC 3 Group Co., Ltd., acquired their non-controlling interests of their subsidiaries respectively, while resulting to a decrease of RMB68,767,000 in the non-controlling interest and a net increase of RMB16,559,000 in capital reserve.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	
Guizhou Sanli Highway Construction Co., Ltd.	China	Buyi and Miao Autonomous Prefecture of Qiannan	Highway investment and development	59.95	–	Equity method
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.96	–	Equity method
Guizhou Sanshi Highway Construction Co., Ltd.	China	Qindongnan Miao and Dong Autonomous Prefecture	Highway investment and development	59.90	–	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Integrated pipe network	70.00	–	Equity method
Tianjin Zhongji Equipment Manufacture Co., Ltd.	China	Tianjin	Equipment manufacture and installation	50.00	–	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Manufacturing	50.00	–	Equity method
Shigang Jingcheng Equipment Development and Manufacturing 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
Yuxi Dongye Sponge City Construction and Operation Co., Ltd.	China	Yuxi	Project construction and operation management	20.69	–	Equity method

The Group has no significant interests in any single joint venture or associate above.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	15.00	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 Construction Project Management Co., Ltd.	13.54	Assigned director to the board of directors of the entity
Changji City Haichang Project Management Co., Ltd.	13.00	Assigned director to the board of directors of the entity
Jianyang MCC Xiongzhou City Development Co., Ltd.	11.00	Assigned director to the board of directors of the entity
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Leshan City Legao Urban Construction Engineering Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Foshan Jianxin Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Mianyang MCC Three Highway Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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) (Continued)

(i) (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jiayang Tianshun Traffic Investment Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanjing MCC Zepu Construction Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	10.00	Assigned director to the board of directors of the entity
Quangzhou City Quangang MCC Tianfeng Project Management 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	
Tangshan Stainless Steel Co., Ltd.	23.89	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.
Shanghai Clear Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Shaanxi Sanjin Mining Holdings Co., Ltd.	20.00	

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
<b>Joint ventures:</b>		
Total carrying amount	3,317,689	1,320,666
The Group's share of the following items:		
– Net profit	(50,556)	(48,079)
– Other comprehensive income	(31)	–
– Total comprehensive income	(50,587)	(48,079)
<b>Associates:</b>		
Total carrying amount	5,598,377	3,842,819
The Group's share of the following items:		
– Net profit	(40,058)	(71,038)
– Other comprehensive income	(613)	–
– Total comprehensive income	(40,671)	(71,038)

(3) In the Reporting Period, there are no significant restrictions on the realization of long-term equity investments, or on the remittance of cash arising from the investment income in joint ventures and associates.

## X 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 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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 1. Capital management (Continued)

The gearing ratios as at 31 December 2017 and 31 December 2016 are as follows:

All amounts in RMB'000

	31 December 2017	31 December 2016
<b>Total borrowings:</b>		
Short-term borrowings (Note VII 24)	39,425,855	49,740,440
Long-term borrowings (inclusive of those due within one year) (Note VII 36)	35,043,736	30,203,376
Bonds payable (inclusive of those due within one year) (Note VII 37)	13,290,675	14,998,725
Finance lease payables (inclusive of those due within one year) (Note VII 38)	545,097	543,025
Less: Cash and cash equivalents (Note VII 65(3))	36,464,134	38,711,911
Net debt	51,841,229	56,773,655
Shareholders' equity	97,320,481	83,107,703
Total capital	149,161,710	139,881,358
The gearing ratio	34.76%	40.59%

### 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.

#### (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 2017 are set out in Note VII 67.

Mainly influenced by the exchange rate of RMB against USD for the variety of foreign currencies of financial assets and financial liabilities, as at 31 December 2017, 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 2017 would have been approximately RMB320,568,000 lower/higher (as at 31 December 2016: RMB333,560,000).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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

- (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 2017, short-term borrowings of the Group were amounting to RMB39,425,855,000 (as at 31 December 2016: RMB49,740,440,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB4,791,201,000 (as at 31 December 2016: RMB3,663,356,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB11,453,964,000 (as at 31 December 2016: RMB13,080,119,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB13,253,301,000 (as at 31 December 2016: RMB9,845,925,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB19,381,042,000 (as at 31 December 2016: RMB18,612,701,000) (Notes VII24, 34, 36, 37, 38).

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 2016 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 2017 would have been RMB351,893,000 lower/higher (for the year ended 31 December 2016: approximately RMB454,281,000).

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 2017 would have been RMB57,371,000 lower/higher (for the year ended 31 December 2016: approximately RMB78,299,000).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (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).

#### (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.



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (3) Liquidity risk (Continued)

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 31 December 2017 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash and bank balances	43,593,622	-	-	-	43,593,622
Bills receivable	20,757,246	-	-	-	20,757,246
Accounts receivable	73,495,762	-	-	-	73,495,762
Interests receivable	22,665	-	-	-	22,665
Dividends receivable	48,257	-	-	-	48,257
Other receivables	40,819,806	-	-	-	40,819,806
Non-current assets within a year	2,227,837	-	-	-	2,227,837
Long-term receivables	476,041	4,738,572	18,439,244	1,790,100	25,443,957
<b>Total</b>	<b>181,441,236</b>	<b>4,738,572</b>	<b>18,439,244</b>	<b>1,790,100</b>	<b>206,409,152</b>
<b>Financial liabilities</b>					
Short-term borrowings	40,236,631	-	-	-	40,236,631
Bills payable	22,332,231	-	-	-	22,332,231
Accounts payable	117,498,912	-	-	-	117,498,912
Employee benefits payable	1,974,696	-	-	-	1,974,696
Interests payable	551,884	-	-	-	551,884
Dividends payable	1,057,084	-	-	-	1,057,084
Other payables	25,223,069	-	-	-	25,223,069
Non-current liabilities within a year	18,624,087	-	-	-	18,624,087
Long-term borrowings	1,106,898	12,647,910	8,292,396	4,818,503	26,865,707
Bonds payable	220,938	221,202	7,316,731	-	7,758,871
Long-term payables	18,129	264,322	409,325	452,049	1,143,825
<b>Total</b>	<b>228,844,559</b>	<b>13,133,434</b>	<b>16,018,452</b>	<b>5,270,552</b>	<b>263,266,997</b>

#### (4) Transfer of financial assets

Details are set out in Note VII3(3), VII4(6), VII8(7), VII13(2).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	151,451	–	–	151,451
1. Held-for-trading financial assets	151,451	–	–	151,451
(1) Currency funds	150,000	–	–	150,000
(2) Equity instruments	1,451	–	–	1,451
(II) Available-for-sale financial assets	592,963	2,384,397	–	2,977,360
(1) Equity instruments	592,963	–	–	592,963
(2) Investment in private funds	–	2,384,397	–	2,384,397
Total assets that are measured at fair value on a recurring basis	744,414	2,384,397	–	3,128,811

### 2. The basis of market prices determined on level 1 of the fair value hierarchy

The fair values of currency funds and equity instruments are based on their closing 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
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.

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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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)

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

	Fair value as at 31 December 2017				Total
	Carrying amount as at 31 December 2017	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:	19,103,454	–	19,259,894	–	19,259,894
1. Long-term borrowings at fixed interest rate	12,016,779	–	12,115,935	–	12,115,935
2. Bonds payable at fixed interest rate	7,086,675	–	7,143,959	–	7,143,959

All amounts in RMB'000

	Fair value as at 31 December 2016				Total
	Carrying amount as at 31 December 2016	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

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/ London Interbank Offered Rate
Bonds payable at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China/ London Interbank Offered Rate

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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

As stated in Note I, CMC together with its other subsidiaries other than the Company are the Group's related party.

Related party transactions between the Company and CMC together with its other subsidiaries other than the Company 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
Guizhou Sanli Highway Construction Co., Ltd.	Joint Venture
Guizhou Ziwang Highway Construction Co., Ltd.	Joint Venture
Guizhou Sanshi Highway Construction Co., Ltd.	Joint Venture
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	Joint Venture
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Joint Venture
Jilin City Jicheng Hada Pipe Network Investment Operation Co., Ltd.	Joint Venture
Beijing New Century Restaurant Co., Ltd.	Joint Venture
Zhongye Tap Water (Zhumadian) Co., Ltd.	Joint Venture
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Joint Venture
Ma'an Shan MCC Huaxin Water Environment Management Co., Ltd.	Joint Venture
Chongqing Xiema East & West Main Line Construction Engineering Management Co., Ltd.	Joint Venture
Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	Joint Venture
Jianyang MCC Xiongzhou City Development Co., Ltd.	Joint Venture

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 3. Principal joint ventures and associates of the Group (Continued)

<b>Name of joint ventures and associates</b>	<b>Relationship with the Group</b>
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint Venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint Venture
Zhuhai MCC Mingheng Real Estate Co., Ltd.	Joint Venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint Venture
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint Venture
Haikou Wuye Urban Construction Engineering Management Co., Ltd.	Joint Venture
Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	Joint Venture
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	Joint Venture
Jiangxi Shangshu Jiasheng City&Town Construction Development Co.,Ltd.	Joint Venture
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	Joint Venture
Meizhou MCC City Construction and Development Co., Ltd.	Joint Venture
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Joint Venture
Langfang Hongqiao Construction Labor Subcontract Co., Ltd.	Joint Venture
Xuzhou MCC Chengdong Express Way Co., Ltd.	Joint Venture
Yinchuan Riverfront District Comprehensive Pipe Gallery Management Co. Ltd.	Joint Venture
Lahore Xingzhong Renewable Energy Co. Ltd.	Joint Venture
Meizhou MCC Road Construction and Development Co., Ltd.	Joint Venture
Changchun Longxiang Business Center Construction Project Management Co., Ltd.	Joint Venture
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	Joint Venture
Beijing Tiancheng Guyun Property Management Co., Ltd.	Joint Venture
Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	Joint Venture
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Joint Venture
Wuhan MCC Xianglongchuan River Construction Management Co., Ltd.	Joint Venture
Mianyang MCC Huicai Development and Construction Co., Ltd.	Joint Venture
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	Joint Venture
Ningcheng County HongDa Mining Co., Ltd.	Joint Venture
Wuhan MCC Xin'ao Property Management Co., Ltd.	Associate
Fuzhou MCC Infrastructure Investment Co., Ltd.	Associate
Xiangtan Wanfeng Development and Construction Co., Ltd.	Associate
Siping Sili Pipe Network Construction Operation Co., Ltd.	Associate
Naqu Area Southern New City Integrated Pipe Network Co., Ltd.	Associate
Handan Guorui Construction Engineering Management Co., Ltd.	Associate
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Associate
Nanjing Baoye Changqiao Construction Co., Ltd.	Associate
Ninguo Baoye Urban Construction Co., Ltd.	Associate
Shanghai Tongjibao Construction Robot Co., Ltd.	Associate
Shanghai Libo Labor Service Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co. Ltd.	Associate
Guizhou MCC Infrastructure Investment Co.,Ltd.	Associate
Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	Associate
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associate
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Associate

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 3. Principal joint ventures and associates of the Group (Continued)

<u>Name of joint ventures and associates</u>	<u>Relationship with the Group</u>
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
Chengde MCC Construction and Development Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Shanghai MCC Xiangqi Investment Co., Ltd.	Associate
Changsha City Zhongzhi Pipe Network Construction and Development Co., Ltd.	Associate
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Shengzhen Nuclear Power & Machine Electricity Installment and Maintenance Co., Ltd.	Associate
Zhejiang MCC Investment Management Co., Ltd.	Associate
Mudanjiang MCC Real Estate Co., Ltd.	Associate
Qiqihar North MCC Real Estate Co., Ltd.	Associate
Suining Shijiu Zhongjian Municipal Infrastructure Investment Co., Ltd.	Associate
Kunming Shijiu Investment Co., Ltd.	Associate
Hu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Associate
Binhai County Panxi Public Infrastructure Investment and Construction Co., Ltd.	Associate
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	Associate
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Associate
Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	Associate
Jiayang Tianshun Traffic Investment Co., Ltd.	Associate
Jiangsu Rongqun Construction and Development Co., Ltd.	Associate
Chongqing Hengyi Engineering Project Management Co., Ltd.	Associate
Luzhou MCC City Construction Development Co., Ltd.	Associate
Yuechi MCC Tiantai construction Co., Ltd.	Associate
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Associate
RCC/MCC JOINT VENTURE	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	Associate
Ma'anshan Golden Tourism Investment Co., Ltd.	Associate
Ma'anshan MCC Economic Development Company Ltd.	Associate
Bengbu MCC Jinlong Real Estate Co., Ltd.	Associate
MCC Suzhou SUMA Construction Development Co., Ltd.	Associate
Ma'anshan MCC High – tech Construction Co., Ltd.	Associate
Ma'anshan City Zhongyu Construction Co., Ltd.	Associate
Yongkang City Gushan Small City Service Function Area Construction Co., Ltd.,	Associate
Nanjing MCC Zepu Construction Development Co., Ltd.	Associate
Liangshan MCC Culture Construction and Investment Co., Ltd.	Associate
Liangshan MCC Education Construction Investment Co., Ltd.	Associate
Lu'an MCC Project Management Co., Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Nanjing Zhongkang Construction and Development Co., Ltd.	Associate
Ma'anshan MCC Putang Construction Co., Ltd.	Associate
Xiangtan Bridge Project Management Co., Ltd.	Associate

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 3. Principal joint ventures and associates of the Group (Continued)

<b>Name of joint ventures and associates</b>	<b>Relationship with the Group</b>
Nanjing MCC Zecheng Construction Co., Ltd.	Associate
Puyang MCC Longhu Construction and Development Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	Associate
Chuzhou Culture Creation Construction and Development Co., Ltd.	Associate
Zhengzhou Huipu Urban and Rural Construction Co., Ltd.	Associate
Binzhou City Tiangong Tiehan Infrastructure Construction Co., Ltd.	Associate
Hengshui MCC Urban Integrated Pipe Network Project Co., Ltd.	Associate
Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	Associate
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	Associate
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associate
Tianjin MCC Jinyu Real Estate Co., Ltd.	Associate
Tianjin MCC Jincheng Real Estate Co., Ltd.	Associate
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	Associate
Tengchong City MCC Infrastructure Investment and Construction Co., Ltd.	Associate
Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	Associate
Ruili City MCC Infrastructure Investment and Construction Co., Ltd.	Associate
Rengju MCC Infrastructure Construction Co., Ltd.	Associate
Jishou Tianfu Taigong Construction Co., Ltd.	Associate
Hunan Saiwei Parking Lot Investment and Construction Management Co., Ltd.	Associate
Hohhot Xintianjing Construction Co., Ltd.	Associate
Hengshui Tiangong Municipal Road Project Management Co., Ltd.	Associate
Haikou Jinhua Real Estate Management Co., Ltd.	Associate
Haikou Jinheng Real Estate Management Co., Ltd.	Associate
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Associate
Sichuan HangYe Industrial Co., Ltd.	Associate
Nanchong Shunjian Urban Construction Management Co., Ltd.	Associate
Shanghai United Automobile Road Construction Development Co., Ltd.	Associate
Anyang MCC Pu'an Highway Engineering Co., Ltd.	Associate
Puyang New Sunshine Construction Management Co., Ltd.	Associate
Pingdu City Exotic Town Investment Co., Ltd.	Associate
Shanghai MCC Jiahe Real Estate Co., Ltd.	Associate
Panzhuhua City Huacheng Hospital Management Co., Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	Associate
Wulanchabu City Zhuoliang Traffic Investment Co., Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Associate
Quangzhou City Quangang MCC Tianfeng Project Management Co., Ltd.	Associate
Hohhot Metallurgical Construction Co., Ltd.	Associate
Baiyin Integrated Pipe Network Management Co., Ltd.	Associate
Baoye (Philippines) Construction Limited	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Wuhan Zhonghe Engineering Technique Co., Ltd.	Associate

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
Yuxi Dongye Sponge City Construction and Operation Co., Ltd.	Associate
Wuhan Lvyan Construction Engineering Co., Ltd.	Associate
Huai'an Huaguang Construction Investment Co., Ltd.	Associate
Huangshi MCC Infrastructure Construction Co., Ltd.	Associate
Wuhan Hanwei Refining Engineering Co., Ltd.	Associate
Chongqing Xinlian Steel Equipment Technique Co., Ltd.	Associate
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Associate
Xichang Yuliang Bochuang Investment and Construction Co., Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate
Harbin Shuangqi Environmental Resources Co., Ltd.	Associate
SL-GV-MCC PTE LTD.	Associate
Changsha Happy Ocean Park Co., Ltd.	Associate
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Associate
Mianyang MCC Three Highway Development Co., Ltd.	Associate
Panzhuhua MCC Urban Construction Development Co., Ltd.	Associate
Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	Associate
Chongqing Wansheng Xihua Road Construction Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Zhuhai MCC Jianxin Investment Management Partnership (LP)	Associate
Beijing Zhongye HengSheng Real Estate Co., Ltd.	Associate
MCC-Huafa Integrated Pipe Network Co., Ltd.	Associate
Changchun Runde Construction Project Management Co., Ltd.	Associate
WISDRI (Xinyu) Cold Rolling New Material Technology Co., Ltd.	Associate
Jianyang Zhongye Tianshun Construction Co., Ltd.	Associate
Chongqing Beifei Shiping Infrastructure Construction Co.,Ltd.	Associate
Xiangtan MCC Jianxin Project Management Co., Ltd.	Associate
Wuhan Yangluo Heart Construction Development Co., Ltd.	Associate
Shanghai Zhihu Real Estate Co., Ltd.	Associate
Leiyang MCC Infrastructure Development Co., Ltd.	Associate
Chongqing Hechuan MCC Tiangong Infrastructure Project Management Co., Ltd.	Associate
Yinchuan City Mancheng Street Underground Integrated Pipe Network Management Construction Co., Ltd.	Associate
Shizuishan City Integrated Pipe Network Construction Development Co.,Ltd.	Associate
Pengan Pengye Road Development Co., Ltd.	Associate
Nanchong Shunye Investment and Development Co.,Ltd.	Associate
Kunming MCC Urban Construction Co., Ltd.	Associate
Wenzhou Huiye Construction and Investment Co.,Ltd.	Associate
Wuhan MCC Lutheran Brothers Sun Donglin Engineering Technology Co., Ltd.	Associate



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 4. Other related parties of the Group

Other related parties entered into transactions with the Group during the year, or during the prior year with remaining closing balance were as follows, such transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.:

<b>Name of other related parties</b>	<b>Relationship with the Group</b>
MCC Huludao Nonferrous Metals Group Co., Ltd. <i>(Note)</i>	Under common control by CMGC
MCC Asset Management Co., Ltd.	Under common control by CMGC
MCC Ruimu Amperex Technology Limited	Under common control by CMGC
Subsidiaries of MCC Huludao Nonferrous Metals Group Co., Ltd.: Huludao Zinc Industry Co., Ltd. <i>(Note)</i>	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	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 Hongqiang Property Management Co., Ltd. Hainan Luda Real Estate Development Co., Ltd. Chengdu MCC 5 Rongshen Real Estate Development 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
Subsidiaries of China Minmetals Corporation Minmetals Steel Co., Ltd. Minmetals Steel Wuhan Limited Company Minmetals Steel Beijing Co., Ltd. Minmetals Steel Chengdu Co., Ltd. Minmetals Steel Guangzhou Co., Ltd. Minmetals Steel Harbin Co., Ltd. Minmetals Steel Hangzhou Co., Ltd. Minmetals Steel Lanzhou Co., Ltd. Minmetals Steel Qingdao Co., Ltd. Minmetals Steel Xiamen Co., Ltd. Minmetals Steel Shanghai Co., Ltd. Minmetals Steel Shenyang Co., Ltd. Minmetals Steel Tianjin Co., Ltd. Minmetals steel Xi'an Co., Ltd. Minmetals Steel Chongqing Co., Ltd. Minmetals Non-ferrous Metals Trade Co.,Ltd.	Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC Under common control by CMC

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 4. Other related parties of the Group (Continued)

Name of other related parties	Relationship with the Group
Minmetals Hanxing Mining Co., Ltd.	Under common control by CMC
Anhui Development Mining Co., Ltd.	Under common control by CMC
Beijing Shengshi Guangye Investment and Management Co., Ltd.	Under common control by CMC
Minmetals North-Europe AB	Under common control by CMC
Hunan Nonferrous Xintian Ridge Tungsten Co., Ltd.	Under common control by CMC
Hunan Nonferrous Heavy Machinery Co., Ltd.	Under common control by CMC
Luzhong Mining Co., Ltd.	Under common control by CMC
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Under common control by CMC
CMC Finance Co., Ltd.	Under common control by CMC
Minmetals Construction (Yingkou) Hengfu Property Co., Ltd.	Under common control by CMC
Minmetals Condo (shanghai) Construction Co., Ltd.	Under common control by CMC
Minmetals Copper (Hunan) Company Limited	Under common control by CMC
Minmetals Wuxi Logistics Park Co., Ltd.	Under common control by CMC
Minmetals Xinjiang Trading Co., Ltd.	Under common control by CMC
Minmetals Yanhu Co., Ltd.	Under common control by CMC
Minmetals International Tendering Co., Ltd.	Under common control by CMC
Minmetals Yingkou Medium Plate Co., Ltd.	Under common control by CMC
China Minmetals Non-ferrous Metals Co., Ltd.	Under common control by CMC
Yingkou Plate Factory	Under common control by CMC
Changsha Mining Research Institute Co., Ltd.	Under common control by CMC
China Mining Co., Ltd.	Under common control by CMC
China Minmetals Shenzhen Import and Export Co., Ltd.	Under common control by CMC
Minmetals Logistics Hebei Co., Ltd.	Under common control by CMC
Changsha Research Institute of Mining and Metallurgy Co., Ltd.	Under common control by CMC
Hunan Jiangnan Steel Structure Co., Ltd.	Under common control by CMC
Minmetals Capital Holding Co., Ltd.	Under common control by CMC
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control by CMC
Kuangjin Real Estate Nanjing Co., Ltd.	Under common control by CMC
Kuangmei Real Estate Nanjing Co., Ltd.	Under common control by CMC
Minmetals International Trust Co., Ltd.	Under common control by CMC
Zhuzhou Smelter Group Co., Ltd.	Under common control by CMC
Liangshan MCC Education Group Co., Ltd.	Under common control by CMC
Hunan Nonferrous High-tech Material Co., Ltd.	Under common control by CMC
Jiangxi Xiushui Xianglushan Tungsten Co., Ltd.	Under common control by CMC
Minmetals iron and steel industry and trade Tianjin Co., Ltd.	Under common control by CMC

*Note:* MCC Huludao Nonferrous Metals Group Co., Ltd. and its subsidiaries are no longer to under the control by CMC on December 31, 2017 and do not constitute related parties of the Group. But transactions in this year also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 (Note):		<b>115,569</b>	4,023
Huludao Zinc Industry Co., Ltd.	Purchase of goods	<b>111,752</b>	–
Handan Huaye Property Services Co., Ltd.	Receiving services	<b>1,738</b>	–
Handan Huaye New Type Building Material Co., Ltd.	Purchase of goods	<b>1,476</b>	–
Beijing China Metallurgical Construction Taxi Company	Receiving services	<b>446</b>	354
Chengdu Hongqiang Property Management Co., Ltd.	Receiving services	<b>157</b>	–
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of goods and receiving services	–	3,669
With companies under common control by CMC (Note):		<b>4,703,673</b>	598,600
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	<b>1,548,581</b>	123,406
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	<b>647,660</b>	95,407
Minmetals Steel Wuhan Limited Company	Purchase of goods	<b>390,177</b>	31,176
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	<b>347,381</b>	30,433
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	<b>319,803</b>	19,308
China Minmetals Non-ferrous Metals Co., Ltd.	Purchase of goods	<b>235,448</b>	–
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	<b>231,918</b>	47,244
Minmetals Steel Xiamen Co., Ltd.	Purchase of goods	<b>182,663</b>	53,548
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	<b>169,504</b>	108,169
Minmetals Steel Harbin Co., Ltd.	Purchase of goods	<b>155,814</b>	9,663
Minmetals Steel Qingdao Co., Ltd.	Purchase of goods	<b>142,970</b>	46,404
Others	Purchase of goods and receiving services	<b>331,754</b>	33,842

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (1) Purchase or sales of goods, provision or receipt of services (Continued)

##### (a) Purchase of goods and receipt of services (Continued)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
With joint ventures and associates:		<b>808,118</b>	1,160,662
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Purchase of goods and receiving services	<b>619,568</b>	1,007,914
Wenzhou Huiye Construction and Investment Co., Ltd.	Receiving services	<b>89,569</b>	–
Wuhan MCC Lutheran Brothers Sun Donglin Engineering Technology Co., Ltd.	Receiving services	<b>35,359</b>	37,689
Beijing Tiancheng Guyun Property Management Co., Ltd.	Receiving services	<b>18,021</b>	–
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods and receiving services	<b>14,641</b>	60,993
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Purchase of goods	<b>12,414</b>	42,215
Wuhan Hanwei Refining Engineering Co., Ltd.	Receiving services	<b>5,354</b>	–
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods and receiving services	<b>4,872</b>	1,457
Shanghai Tongjibao Construction Robot Co., Ltd.	Purchase of goods and receiving services	<b>4,003</b>	3,429
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods and receiving services	<b>3,565</b>	3,407
Shenzhen Nuclear Power & Machine Electricity Installment and Maintenance Co., Ltd.	Receiving services	<b>491</b>	–
Wuhan Zhonghe Engineering Technique Co., Ltd.	Receiving services	<b>261</b>	400
Shanghai MCC Xiangqi Investment Co., Ltd.	Purchase of goods	–	3,158
<b>Total</b>		<b>5,627,360</b>	<b>1,763,285</b>

*Note:* These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 (Note):		<b>27,136</b>	12,035
MCC Ruimu Amperex Technology Limited	Providing services	<b>20,091</b>	–
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	<b>7,045</b>	11,356
Huludao Zinc Industry Co., Ltd.	Providing services	–	679
With companies under common control by CMC (Note):		<b>879,361</b>	293,191
Minmetals Yanhu Co., Ltd.	Providing services	<b>413,878</b>	–
China Minmetals Non-ferrous Metals Co.,Ltd.	Selling goods	<b>230,577</b>	21,784
Hunan Nonferrous Xintian Ridge Tungsten Co.,Ltd.	Providing services	<b>47,933</b>	7,888
Beijing Shengshi Guangye Investment and Management Co.,Ltd.	Providing services	<b>44,851</b>	–
Minmetals North-Europe AB	Selling goods	<b>44,022</b>	–
Minmetals Copper (Hunan) Company Limited	Providing services	<b>24,502</b>	243,141
Others	Providing services and Selling goods	<b>73,598</b>	20,378
With joint ventures and associates:		<b>25,997,215</b>	2,612,475
Guizhou Ziwang Highway Construction Co., Ltd.	Providing services	<b>2,091,628</b>	319,314
Guizhou Sanli Highway Construction Co., Ltd.	Providing services	<b>1,670,947</b>	–
Hohhot Xintianjing Construction Co., Ltd.	Providing services	<b>1,298,641</b>	–
Guizhou Sanshi Highway Construction Co., Ltd.	Providing services	<b>1,126,140</b>	311,229
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Providing services	<b>1,040,279</b>	–
Hohhot Metallurgical Construction Co., Ltd.	Providing services	<b>783,724</b>	–
Baiyin Integrated Pipe Network Management Co., Ltd.	Providing services	<b>719,529</b>	–
Meizhou MCC City Construction and Development Co., Ltd.	Providing services	<b>703,698</b>	–
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Providing services	<b>603,710</b>	225,925

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	Providing services	602,815	–
Foshan Jianxin Infrastructure Construction Co., Ltd.	Providing services	556,969	–
Nanchong Shunye Investment and Development Co., Ltd.	Providing services	471,934	–
Si County MCC construction Investment Co., Ltd.	Providing services	451,538	220,309
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	Providing services	388,598	–
Luzhou MCC City Construction Development Co., Ltd.	Providing services	383,283	–
Nanjing Zhongkang Construction and Development Co., Ltd.	Providing services	377,009	82,164
Chongqing Wansheng Xihua Road Construction Co., Ltd.	Providing services	355,068	244,975
Kunming MCC Urban Construction Co., Ltd.	Providing services	331,568	–
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Providing services	329,476	–
Nanchong Shunjian Urban Construction Management Co., Ltd.	Providing services	321,862	–
Wuhan Lvyan Construction Engineering Co., Ltd.	Providing services	320,216	–
Xichang Yuliang Bochuang Investment and Construction Co., Ltd.	Providing services	314,074	–
Zhumadian zhongyi municipal construction management limited liability company	Providing services	314,010	–
Guizhou MCC Infrastructure Investment Co., Ltd.	Providing services	312,629	–
Pingdu City Exotic Town Investment Co., Ltd.	Providing services	303,890	–
Panzhihua MCC Urban Construction Development Co., Ltd.	Providing services	302,195	–
Meizhou MCC Road Construction and Development Co., Ltd.	Providing services	301,095	–
Yuechi MCC Tiantai Construction Co., Ltd.	Providing services	294,679	–
Chongqing Beimeng Project Management Limited Liability Company	Providing services	282,111	–
Wuhan Zhong Yi Investment Construction Company Ltd.	Providing services	281,780	458,122
Jiayang Tianshun Traffic Investment Co., Ltd.	Providing services	250,011	–
Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	Providing services	243,659	–
Shanghai MCC Jiahe Real Estate Co., Ltd.	Providing services	234,711	–
Ruili City MCC Infrastructure Investment and Construction Co., Ltd.	Providing services	234,163	–

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	Providing services	231,102	–
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	Providing services	225,199	–
Tianjin MCC Jinyu Real Estate Co., Ltd.	Providing services	221,500	–
Tianjin MCC Jincheng Real Estate Co., Ltd.	Providing services	218,800	1,041
Ma'anshan MCC High – tech Construction Co., Ltd.	Providing services	214,486	–
Chongqing Beifei Shipping Infrastructure Construction Co., Ltd.	Providing services	212,155	–
Shizuishan City Integrated Pipe Network Construction Development Co., Ltd.	Providing services	195,498	–
Naqu Area Southern New City Integrated Pipe Network Co., Ltd.	Providing services	193,689	–
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Providing services	190,014	–
Handan Guorui Construction Engineering Management Co., Ltd.	Providing services	180,787	–
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Providing services	176,923	–
Suining Kaihong Construction Development Co., Ltd.	Providing services	175,182	416,006
Ma'anshan Golden Tourism Investment Co., Ltd.	Providing services	171,341	119,468
Chongqing Hengyi Engineering Project Management Co., Ltd.	Providing services	170,909	–
Ma'anshan MCC Putang Construction Co., Ltd.	Providing services	166,923	–
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Providing services	164,806	–
Jishou Tianfu Taigong Construction Co., Ltd.	Providing services	163,831	–
Tengchong City MCC Infrastructure Investment and Construction Co., Ltd.	Providing services	160,535	–
Bengbu MCC Jinlong Real Estate Co., Ltd.	Providing services	160,280	–
Renqiu MCC Infrastructure Construction Co., Ltd.	Providing services	151,723	–
Haikou Wuye Urban Construction Engineering Management Co., Ltd.	Providing services	146,465	–
Xiangtan MCC Jianxin Project Management Co., Ltd.	Providing services	146,327	–

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Hu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Providing services	145,982	–
Puyang MCC Longhu Construction and Development Co., Ltd.	Providing services	134,984	–
Ninguo Baoye Urban Construction Co., Ltd.	Providing services	134,231	–
Nanjing MCC Zecheng Construction Co., Ltd.	Providing services	130,447	–
Liangshan MCC Education Construction Investment Co., Ltd.	Providing services	126,545	–
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	Providing services	126,126	–
Liangshan MCC Culture Construction and Investment Co., Ltd.	Providing services	125,788	–
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	Providing services	125,215	–
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Providing services	116,946	–
Jianyang Zhongye Tianshun Construction Co., Ltd.	Providing services	116,761	–
Ma'anshan MCC Economic Development Company Ltd.	Providing services	113,329	2,732
Kunming Shijiu Investment Co., Ltd.	Providing services	112,681	–
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	Providing services	112,000	–
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	Providing services	111,530	–
Huangshi MCC Infrastructure Construction Co., Ltd.	Providing services	108,076	–
Huai'an Huaguang Construction Investment Co., Ltd.	Providing services	107,810	–
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Providing services	100,205	–
Others	Providing services and Selling goods	1,312,445	211,190
<b>Total</b>		<b>26,903,712</b>	<b>2,917,701</b>

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (2) Lease

##### (a) As lessor

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized in the current year	Leasing income recognized in the prior year
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	136	55
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Buildings and structures	–	2,760
Total		<b>136</b>	<b>2,815</b>

##### (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	33,815	38,404
Beijing Dongxing Metallurgical New-Tech & Development Corp. (Note)	Buildings and structures	8,128	10,000
MCC Asset Management Co., Ltd. (Note)	Buildings and structures	557	62
Total		<b>42,500</b>	<b>48,466</b>

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (3) Guarantee

##### (a) Grant guarantee

As at 31 December 2017, the Group has provided no guarantees for its related parties

##### (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	1,464,930	2017-05-05	2020-05-04	No

#### (4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Loans from related parties:				
China National Foreign Trade Financial & Leasing Co., Ltd. (note)	200,000	2017-02-10	2019-11-15	Finance lease payments
China National Foreign Trade Financial & Leasing Co., Ltd.	1,000,000	2017-07-16	2022-07-15	General loan
China Metallurgical Group Corporation	300,000	2017-10-16	2020-10-15	Entrust loan
Total	1,500,000			

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Loans from/to related parties (Continued)

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Loans to related parties:				
Tianjin SERI Machinery Equipment Corporation Ltd.	200,000	2017-01-01	2017-12-29	General loan
Luzhou MCC City Construction Development Co., Ltd.	1,800	2017-01-01	2017-12-31	General loan
Zhongye Tap Water (Zhumadian) Co., Ltd.	30,349	2017-01-10	2017-12-31	General loan
Hebei MCC Mingrun Real Estate Development Co., Ltd.	1,080,000	2017-01-10	2017-08-29	General loan
Tianjin Mingjin MCC Real Estate Co., Ltd.	64,000	2017-01-25	2017-12-12	General loan
Guangzhou MCC Mingjie Real Estate Co., Ltd.	1,894,072	2017-02-21	2018-02-20	General loan
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	250,000	2017-02-24	No fixed expiry date	General loan
Tianjin MCC Jinyu Real Estate Co., Ltd.	130,000	2017-03-03	2018-03-02	General loan
Tianjin MCC Mingrui Real Estate Co., Ltd.	1,200,000	2017-03-07	2020-03-06	Entrust loan
Anyang MCC Pu'an Highway Engineering Co., Ltd.	241,047	2017-03-21	2017-12-07	General loan
Tianjin MCC Mingrui Real Estate Co., Ltd.	1,100,000	2017-04-12	2020-04-10	Entrust loan
Renqiu MCC Infrastructure Construction Co., Ltd.	25,000	2017-04-19	2018-04-29	General loan
Tianjin MCC Jinyu Real Estate Co., Ltd.	10,000	2017-06-10	2018-06-09	General loan
Jianyang Tianshun Traffic Investment Co., Ltd.	191,200	2017-06-20	2017-10-20	General loan
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	51,000	2017-06-30	2018-06-30	General loan
Tianjin MCC Mingrui Real Estate Co., Ltd.	2,192,477	2017-07-01	2018-06-30	General loan
Zhuhai MCC Mingheng Real Estate Co., Ltd.	5,165,780	2017-07-01	2018-06-30	General loan
Kunming MCC Urban Construction Co., Ltd.	434,240	2017-07-27	2018-01-26	General loan
Changsha Happy Ocean Park Co., Ltd.	6,400	2017-07-27	2017-11-27	General loan
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	85,000	2017-09-01	2018-09-01	General loan
Nanjing Pukou Xingbao Construction Development Co. Ltd.	105,000	2017-09-26	2020-03-25	General loan
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	70,000	2017-09-26	2017-11-30	General loan
Jianyang MCC Xiongzhou City Development Co., Ltd.	20,540	2017-09-26	2018-09-26	General loan
Nanjing Pukou Xingbao Construction Development Co. Ltd.	190,100	2017-09-27	2020-03-25	General loan

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Loans from/to related parties (Continued)

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Guangzhou MCC Minghui Real Estate Co., Ltd.	1,600,000	2017-10-13	2019-10-10	Entrust loan
Guangzhou MCC Minghui Real Estate Co., Ltd.	700,000	2017-10-13	2019-10-14	Entrust loan
Nanjing Pukou Xingbao Construction Development Co. Ltd.	70,000	2017-10-19	2020-03-25	General loan
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	3,000	2017-10-31	2017-11-30	General loan
Hohhot Xintianjing Construction Co., Ltd.	60,000	2017-11-01	2018-06-30	General loan
Tianjin Zhongji Equipment Manufacture Co., Ltd.	3,000	2017-11-02	2018-11-02	General loan
Sichuan HangYe Industrial Co., Ltd.	18,460	2017-11-09	2018-11-09	General loan
Nanchong Shunjian Urban Construction Management Co., Ltd.	316,000	2017-11-17	2018-11-17	General loan
Nanjing Pukou Xingbao Construction Development Co. Ltd.	61,600	2017-11-20	2020-03-25	General loan
Jianyang Zhongye Tianshun Construction Co., Ltd.	250,000	2017-11-24	2018-11-24	General loan
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	63,000	2017-12-01	No fixed expiry date	General loan
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	1,420,343	2017-12-01	2018-11-30	General loan
Hohhot Xintianjing Construction Co., Ltd.	200,000	2017-12-07	2018-12-07	General loan
Jianyang Tianshun Traffic Investment Co., Ltd.	171,200	2017-12-07	2018-12-07	General loan
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	90,000	2017-12-08	No fixed expiry date	General loan
Nanjing Pukou Xingbao Construction Development Co. Ltd.	70,000	2017-12-12	2020-03-25	General loan
Tianjin Mingjin MCC Real Estate Co., Ltd.	67,000	2017-12-13	2018-12-12	General loan
Binhai County Panxi Public Infrastructure Investment and Construction Co., Ltd.	45,000	2017-12-18	2018-12-18	General loan
Hu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	93,450	2017-12-22	2018-05-21	General loan
Tianjin Zhongji Equipment Manufacture Co., Ltd.	75,151	2017-12-25	2018-12-19	General loan
Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	165,000	2017-12-25	2018-12-24	General loan
Mianyang MCC Three Highway Development Co., Ltd.	780	2017-12-25	2018-12-25	General loan
Mianyang MCC Huicai Development and Construction Co., Ltd.	704	2017-12-25	2018-12-25	General loan
Pengan Pengye Road Development Co., Ltd.	957	2017-12-25	2018-12-25	General loan

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Loans from/to related parties (Continued)

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	26,000	2017-12-25	2018-12-24	General loan
Suining Shijiu Zhongjian Municipal Infrastructure Investment Co., Ltd.	10,400	2017-12-25	2018-12-24	General loan
Hebei MCC Mingrun Real Estate Development Co., Ltd.	2,000,000	2017-12-26	2022-12-26	Entrust loan
Nanchong Shunye Investment and Development Co., Ltd.	160,820	2017-12-26	2018-12-26	General loan
Hebei MCC Mingrun Real Estate Development Co., Ltd.	1,000,000	2017-12-27	2022-12-27	Entrust loan
Total	<u>23,479,870</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.

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.35% to 6.98%.

#### (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	5,205	4,060
Pension scheme contributions	447	446
Discretionary bonus	3,427	2,617
Total	<u>9,079</u>	<u>7,123</u>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (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	2,059	2,538
Pension scheme contributions	161	240
Discretionary bonus	1,255	1,462
Total	3,475	4,240

Compensations for directors and supervisors respectively for the year ended 31 December 2017 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
<b>Executive Directors</b>				
Guo Wen Qing (i)	-	-	-	-
Zhang Zhao Xiang (i)	-	-	-	-
<b>Non-executive Director</b>				
Jing Tian Liang	119	-	-	119
<b>Independent Non-executive Directors</b>				
Yu Hai Long	148	-	-	148
Ren Xu Dong	136	-	-	136
Chen Jia Qiang	142	-	-	142
<b>Employee Representative Director</b>				
Lin Jin Zhen	477	50	418	945
<b>Supervisors</b>				
Yan Ai Zhong	440	50	434	924
Peng Hai Qing (iii)	127	11	49	187
Shao Bo	470	50	354	874
Total	2,059	161	1,255	3,475

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (a) Directors' and supervisors' remunerations (Continued)

- (i) Guo Wenqing, Zhang Zhaoxiang started to work in CMC in July 2016, since when their personal relationship had been transferred to CMC, and they had not received any compensation in the Group in 2017.
- (ii) Peng Haiqing started to work in CMC in April 2017, since when their personal relationship had been transferred to the CMC. The period for the compensation disclosed above is from 2017 January to 2017 March.

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
<b>Executive Directors</b>				
Guo Wen Qing	185	23	–	208
Zhang Zhao Xiang (i)	176	23	–	199
<b>Non-executive Director</b>				
Jing Tian Liang	129	–	–	129
<b>Independent Non-executive Directors</b>				
Yu Hai Long	145	–	–	145
Ren Xu Dong	146	–	–	146
Chen Jia Qiang	146	–	–	146
<b>Employee Representative Director</b>				
Lin Jin Zhen	455	47	353	855
<b>Supervisors</b>				
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	2,538	240	1,462	4,240

- (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.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (a) Directors' and supervisors' remunerations (Continued)

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.

##### (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	2,094	677
Pension scheme contributions	234	225
Discretionary bonus	6,323	7,678
Total	8,651	8,580

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	4
HK\$2,000,001 to HK\$2,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	–	–
HK\$3,000,001 to HK\$3,500,000	–	–
Total	5	5



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	Guangzhou MCC Minghui Real Estate Co., Ltd.	95,597	20,268
Interest income	Hebei MCC Mingrun Real Estate Development Co., Ltd.	22,485	59,347
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	14,795	43,899
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	14,536	14,576
Interest income	Tianjin SERI Machinery Equipment Corporation Ltd.	13,729	–
Interest income	Kunming MCC Urban Construction Co., Ltd.	9,804	–
Interest income	Anyang MCC Pu'an Highway Engineering Co., Ltd.	7,912	–
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	7,056	7,906
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	5,993	5,765
Interest income	Zhuhai MCC Mingheng Real Estate Co., Ltd.	5,685	–
Interest income	Nanjing Pukou Xingbao Construction Development Co., Ltd.	5,078	–
Interest income	Jianyang Tianshun Traffic Investment Co., Ltd.	4,880	–
Interest income	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	4,732	–
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	4,634	31,381
Interest income	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	4,513	3,245
Interest income	Tianjin MCC Mingrui Real Estate Co., Ltd.	4,111	–
Interest income	Tianjin MCC Jinyu Real Estate Co., Ltd.	4,019	4,225
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	2,872	–
Interest income	Jianyang Zhongye Tianshun Construction Co., Ltd.	2,185	–
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	1,787	–
Interest income	Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	805	–
Interest income	Zhongye Tap Water (Zhumadian) Co., Ltd.	516	–
Interest income	Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	377	–
Interest income	Binhai County Panxi Public Infrastructure Investment and Construction Co., Ltd.	86	–
Interest income	Hu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	78	–
Interest income	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	52	7,867

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (6) Other related party transactions (Continued)

Related party transactions	Related party	Amount for the current year	Amount for the prior year
Interest income	Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	22	–
Interest income	Suining Shijiu Zhongjian Municipal Infrastructure Investment Co., Ltd.	9	–
Interest income	Sichuan HangYe Industrial Co., Ltd.	–	30,957
Interest income	Wuhan Zhong Yi Investment Construction Company Ltd.	–	6,701
Interest income	Shanghai Zhihu Real Estate Co., Ltd.	–	6,436
Interest income	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	–	1,721
		<b>238,348</b>	244,294
Total interest income			
Interest expenses	China Metallurgical Group Corporation (Note)	21,366	21,890
Interest expenses	China National Foreign Trade Financial & Leasing Co., Ltd. (Note)	8,754	–
Total interest expenses		<b>30,120</b>	21,890

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	Si County MCC Construction Investment Co., Ltd.	276,074	-	54,369	-
Accounts receivable	Hebei MCC Mingrun Real Estate Development Co., Ltd.	217,054	40	200,157	-
Accounts receivable	Ma'anshan MCC Economic Development Company Ltd.	203,457	-	-	-
Accounts receivable	Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	176,418	-	-	-
Accounts receivable	Bengbu MCC Jinlong Real Estate Co., Ltd.	160,280	-	-	-
Accounts receivable	Baiyin Integrated Pipe Network Management Co., Ltd.	143,348	-	-	-
Accounts receivable	Meizhou MCC City Construction and Development Co., Ltd.	133,185	-	-	-
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	118,553	5,928	-	-
Accounts receivable	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	116,946	-	-	-
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	115,095	1,431	144,889	277
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	113,423	6,346	112,354	4,003
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	110,227	9,120	130,570	8,489
Accounts receivable	Others	1,611,180	76,415	650,678	83,975
Total		3,495,240	99,280	1,293,017	96,744

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	Zhuhai MCC Mingheng Real Estate Co., Ltd.	4,912,238	-	-	-
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,861,453	424,553	1,238,725	371,617
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	1,718,008	-	-	-
Other receivables	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	1,425,075	-	-	-
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,314,200	-	1,397,232	-
Other receivables	Qiqihar North MCC Real Estate Co., Ltd.	1,143,448	-	-	-
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	727,641	-	-	-
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	491,015	-	477,633	-
Other receivables	Kunming MCC Urban Construction Co., Ltd.	444,044	-	-	-
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,942	324,460	415,942	202,406
Other receivables	Hohhot Xintianjing Construction Co., Ltd.	265,965	13,298	-	-
Other receivables	Jiayang Zhongye Tianshun Construction Co., Ltd.	252,185	-	-	-
Other receivables	Jiayang MCC Xiongzhou City Development Co., Ltd.	239,599	11,977	-	-
Other receivables	Tianjin SERI Machinery Equipment Corporation Ltd.	213,729	133,729	-	-
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	205,580	116,642	205,580	57,939
Other receivables	Changchun Longxiang Business Center Construction Project Management Co., Ltd.	186,556	-	-	-
Other receivables	Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	178,982	-	-	-
Other receivables	Jiayang Tianshun Traffic Investment Co., Ltd.	176,080	-	-	-
Other receivables	Ningcheng County HongDa Mining Co., Ltd.	161,987	161,987	-	-
Other receivables	Nanchong Shunye Investment and Development Co., Ltd.	137,259	6,863	-	-
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	133,899	-	128,151	-
Other receivables	Bengbu MCC Jinlong Real Estate Co., Ltd.	120,041	-	-	-
Other receivables	Hu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	101,359	-	-	-
Other receivables	Others	1,602,621	95,219	2,393,034	41,356
Total		18,428,906	1,288,728	6,256,297	673,318

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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
Prepayments	Minmetals Steel Chengdu Co., Ltd.	69,143	-	-	-
Prepayments	China Minmetals Corporation	49,393	-	-	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	29,688	-	27,492	-
Prepayments	Wuhan Hanwei Refining Engineering Co., Ltd.	26,252	-	23,497	-
Prepayments	Others	17,374	-	217,769	-
Total		<u>191,850</u>	<u>-</u>	<u>268,758</u>	<u>-</u>
Interests receivable	Zhongye Tap Water (Zhumadian) Co., Ltd.	516	-	-	-
Total		<u>516</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	Wuhan Zhonghe Engineering Technique Co., Ltd.	1,600	-	-	-
Total		<u>36,697</u>	<u>-</u>	<u>35,097</u>	<u>-</u>
Long-term receivables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	3,000,000	-	-	-
Long-term receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	2,396,239	-	-	-
Long-term receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	2,300,000	-	-	-
Long-term receivables	Nanjing Pukou Xingbao Construction Development Co. Ltd.	496,700	-	-	-
Long-term receivables	Chongqing Beimeng Project Management Limited Liability Company	175,290	-	175,290	-
Total		<u>8,368,229</u>	<u>-</u>	<u>175,290</u>	<u>-</u>
Non-current assets due within one year	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	-	-	250,000	-
Total		<u>-</u>	<u>-</u>	<u>250,000</u>	<u>-</u>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	Minmetals Steel Wuhan Limited Company	183,717	11,814
Accounts payable	Minmetals Steel Tianjin Co., Ltd.	128,498	42,619
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	123,914	75,582
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	102,138	20,853
	Tangshan Caofeidian 22nd Metallurgical		
Accounts payable	Construction Technique Co., Ltd.	85,762	272,868
Accounts payable	Minmetals Steel Beijing Co., Ltd.	52,644	3,667
Accounts payable	Minmetals Steel Shenyang Co., Ltd.	51,482	6,245
Accounts payable	Minmetals Steel Xiamen Co., Ltd.	47,327	8,050
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	38,063	31,164
Accounts payable	Minmetals Steel Shanghai Co., Ltd.	34,928	12,289
Accounts payable	Minmetals Steel Xi'an Co., Ltd.	33,037	3,994
Accounts payable	Minmetals Steel Harbin Co., Ltd.	32,323	7,029
Accounts payable	Minmetals Steel Qingdao Co., Ltd.	29,002	42,528
Accounts payable	Others	70,720	95,470
Total		<b>1,013,555</b>	<b>634,172</b>
Other payables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	2,450,520	704,888
Other payables	Chengde MCC Construction and Development Co., Ltd.	390,000	–
Other payables	Shanghai MCC Jiahe Real Estate Co., Ltd.	301,840	–
Other payables	Guangzhou MCC Minghui Real Estate Co., Ltd.	297,656	–
Other payables	China Metallurgical Group Corporation	175,198	109,328
Other payables	Zhuzhou Smelter Group Co., Ltd.	151,764	161,120
Other payables	Minmetals Steel Chengdu Co., Ltd.	109,990	2,000
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	–
Other payables	Zhejiang MCC Investment Management Co., Ltd.	40,010	10
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Corp.	36,659	35,820
Other payables	Chuzhou Culture Creation Construction and Development Co., Ltd.	28,001	–
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	23,453	23,512
Other payables	Bengbu MCC Jinlong Real Estate Co., Ltd.	21,939	–
Other payables	Others	42,789	480,073
Total		<b>4,138,288</b>	<b>1,516,751</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	203,527	–
Receipts in advance	Luzhou MCC City Construction Development Co., Ltd.	139,114	–
Receipts in advance	Puyang MCC Longhu Construction and Development Co., Ltd.	126,658	–
Receipts in advance	Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	112,000	–
Receipts in advance	Liangshan MCC Education Group Co., Ltd.	103,519	–
Receipts in advance	Anyang MCC Pu'an Highway Engineering Co., Ltd.	81,952	–
Receipts in advance	Guizhou Sanshi Highway Construction Co., Ltd.	79,564	–
Receipts in advance	Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	76,000	–
Receipts in advance	Ma'anshan MCC Putang Construction Co., Ltd.	66,448	–
Receipts in advance	Chongqing Wansheng Xihua Road Construction Co., Ltd.	37,969	–
Receipts in advance	Ma'anshan MCC High – tech Construction Co., Ltd.	37,725	–
Receipts in advance	Lu'an MCC Project Management Co., Ltd.	20,504	–
Receipts in advance	Others	89,373	116,983
<b>Total</b>		<b>1,174,353</b>	<b>116,983</b>
Dividends payable	Changsha Research Institute of Mining and Metallurgy Co., Ltd.	783	–
Dividends payable	Beijing China Metallurgical Construction Taxi Company	24	24
<b>Total</b>		<b>807</b>	<b>24</b>
Long-term borrowings	China National Foreign Trade Financial & Leasing Co., Ltd.	724,237	–
<b>Total</b>		<b>724,237</b>	<b>–</b>
Non-current liabilities due in one year	China National Foreign Trade Financial & Leasing Co., Ltd.	252,609	–
Non-current liabilities due in one year	China Metallurgical Group Corporation	–	300,000
<b>Total</b>		<b>252,609</b>	<b>300,000</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XII RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties (Continued)

#### (2) Payables (Continued)

Items	Related parties	Closing book value	Opening book value
Long-term payable	China Metallurgical Group Corporation	378,980	78,980
Long-term payable	China National Foreign Trade Financial & Leasing Co., Ltd.	69,820	-
Total		448,800	78,980

### 7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties but not recognized 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	29,852	59,040
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	6,005	14,882
Total		35,857	73,922

## XIII COMMITMENTS AND CONTINGENCIES

### 1. Significant Commitments

#### (1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Buildings, structures and equipment	23,993,163	24,122,343
Intangible assets	4,292,514	4,299,281
Total	28,285,677	28,421,624



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XIII COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 1. Significant Commitments (Continued)

#### (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	47,935	23,611
1 to 2 years	9,967	42,164
2 to 3 years	9,735	2,531
Over 3 years	41,058	30,478
Total	108,695	98,784

### 2. Contingencies

#### (1) Significant contingencies at the balance sheet date

##### (a) Pending litigation or arbitration

As at 31 December 2017, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB2,354,838,000 (as at 31 December 2016: 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 2017, management has made provision for pending lawsuits of RMB29,346,000, details of which are set out in NoteVII41.

##### (b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Guaranteed amount
Mortgage guarantees (Note)	7,455,169

*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.

## XIII COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies (Continued)

#### (1) Significant contingencies at the balance sheet date (Continued)

##### (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. Due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is made in these financial statements.

## XIV EVENTS AFTER THE BALANCE SHEET DATE

### 1. Appropriation of profit after the balance sheet date

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 2017

## 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 2017 and as at 31 December 2017

All amounts in RMB'000

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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 2016 and as at 31 December 2016

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	187,638,690	22,506,446	5,112,103	3,789,153	4,139,758	-	3,628,571	219,557,579
Including: Revenue from external customers	185,191,680	22,291,259	4,749,890	3,741,575	3,583,175	-	-	219,557,579
Revenue between segments	2,447,010	215,187	362,213	47,578	556,583	-	3,628,571	-
Operating costs	166,896,342	16,376,237	4,558,392	3,352,201	3,696,573	-	3,509,908	191,369,837
Including: External costs	164,483,505	16,180,634	4,188,137	3,308,510	3,209,051	-	-	191,369,837
Costs between segments	2,412,837	195,603	370,255	43,691	487,522	-	3,509,908	-
Operating profit/(loss)	4,859,075	3,755,220	(543,479)	(962,373)	198,285	(195,077)	42,422	7,079,229
Including: Interest income	355,371	234,819	35,834	10,078	1,142,225	-	643,780	1,134,547
Interest expenses	2,101,806	415,698	140,520	575,819	907,341	-	643,780	3,497,404
Investment income/(loss) from associates and joint ventures	26,850	465,427	(161,958)	-	(2,729)	-	-	327,590
Non-operating income	822,175	216,134	55,952	48,841	29,287	-	-	1,172,389
Non-operating expenses	550,108	15,278	20,252	2,484	15,725	-	-	603,847
Total profit/(loss)	5,131,142	3,956,076	(507,779)	(906,016)	211,847	(195,077)	42,422	7,647,771
Income tax expense	709,753	821,078	21,440	8,640	117,213	-	-	1,678,124
Net profit/(loss)	4,421,389	3,134,998	(529,219)	(914,656)	94,634	(195,077)	42,422	5,969,647
Assets	266,340,920	97,490,879	16,464,484	20,460,100	37,075,969	4,358,008	64,698,756	377,491,604
Including: Long-term equity investments in associates and joint ventures	4,391,205	708,458	-	-	63,822	-	-	5,163,485
Non-current assets	27,588,226	3,377,105	5,374,702	14,922,236	17,133,433	-	11,979,370	56,416,332
Liabilities	221,940,913	71,833,031	9,686,611	22,531,109	31,289,833	212,401	63,109,997	294,383,901
Depreciation and amortization expenses	1,643,983	72,552	346,250	862,071	128,483	-	-	3,053,339
Assets impairment losses	3,575,091	174,655	110,721	159,839	2,751	-	-	4,023,057
Increase in other non-current assets other than long-term equity investments	2,260,831	197,626	162,766	406,076	153,591	-	-	3,180,890

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

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

All amounts in RMB'000

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

- (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	322,328,945	302,774,536
Less: Current liabilities	280,135,184	256,023,377
Net current assets	42,193,761	46,751,159

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	414,565,174	377,491,604
Less: Current liabilities	280,135,184	256,023,377
Total assets less current liabilities	<u>134,429,990</u>	<u>121,468,227</u>

### 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	6,061,488	5,375,858
Including: Net profit from continuing operations	6,061,488	5,375,858
Less: Net profit belong to the perpetual bond holders	776,091	501,373
Net profit for the current year attributable to ordinary shareholders	<u>5,285,397</u>	<u>4,874,485</u>

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

All amounts in thousand shares

	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	20,723,619	19,110,000
Add: Weighted average number of ordinary shares issued during the year	-	8,818
Less: Weighted average number of ordinary shares repurchased during the year	-	-
Number of ordinary shares outstanding at the end of the year	<u>20,723,619</u>	<u>19,118,818</u>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	0.26	0.25
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.26	0.25
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

## 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
<b>Cash</b>	<b>350</b>	190
RMB	158	169
USD	2	3
Others	190	18
<b>Bank deposits</b>	<b>4,647,715</b>	7,691,912
RMB	4,112,021	7,431,892
USD	285,746	259,344
HKD	163	174
Others	249,785	502
<b>Other cash and bank balances</b>	<b>10,827</b>	11,875
Others	10,827	11,875
Total	<b>4,658,892</b>	7,703,977

As at 31 December 2017, restricted cash and bank balances was RMB10,827,000, which was all frozen deposits (as at 31 December 2016: RMB11,875,000, which was mainly frozen deposits).



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounts receivable

#### (1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	188,167	463,485
1 to 2 years	104,006	-
2 to 3 years	-	40,369
3 to 4 years	40,369	5,961
4 to 5 years	5,645	40,481
Over 5 years	421,716	398,044
Total book value	759,903	948,340
Less: provisions for bad debts	171,529	124,917
Carrying amount	588,374	823,423

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.

#### (2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	-	-	-	-	-	-	-	-	-	-
Subject to provision by portfolios of credit risk characteristics	706,651	/	118,277	/	588,374	941,542	/	118,119	/	823,423
Group1 (a)	118,382	15.58	118,277	99.91	105	118,382	12.48	118,119	99.78	263
Group2	588,269	77.41	-	-	588,269	823,160	86.80	-	-	823,160
Accounts receivable which are individually insignificant but subject to provision individually	53,252	7.01	53,252	100.00	-	6,798	0.72	6,798	100.00	-
Total	759,903	/	171,529	/	588,374	948,340	/	124,917	/	823,423

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 2. Accounts receivable (Continued)

#### (2) Accounts receivable disclosed by category (Continued)

- (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 (%)
3 to 4 years	-	-	-	525	262	50.00
4 to 5 years	525	420	80.00	-	-	-
Over 5 years	117,857	117,857	100.00	117,857	117,857	100.00
Total	118,382	118,277	99.91	118,382	118,119	99.78

- (3) Provision for bad debts for the current year was RMB46,612,000, 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	292,172	38.45	-
Party 2	Subsidiary	277,802	36.56	-
Party 3	Third Party	118,382	15.58	118,277
Party 4	Third Party	46,454	6.11	46,454
Party 5	Subsidiary	18,294	2.41	-
Total	/	753,104	99.11	164,731

- (6) As at 31 December 2017, 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 2016: nil).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 3. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	1,955,008	2,339,371
Less: Provision for bad debts	326,864	339,318
Total	1,628,144	2,000,053

### 4. Dividends receivable

#### (1) Dividends receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	1,135,205	2,100,649
Total	1,135,205	2,100,649

#### (2) Material 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.	244,965	Announced but not paid	No
CISDI Group Co., Ltd.	175,716	Announced but not paid	No
MCC TianGong Group Corporation Limited	162,086	Announced but not paid	No
Huatian Engineering & Technology Corporation, MCC	91,339	Announced but not paid	No
China Second Metallurgical Group Corporation Limited	25,414	Announced but not paid	No
Total	699,520	/	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	5,095,631	6,477,843
1 to 2 years	4,815,019	2,763,424
2 to 3 years	2,758,244	12,821,424
3 to 4 years	10,033,205	3,387,791
4 to 5 years	3,237,577	4,031,675
Over 5 years	6,911,761	2,988,105
Total book value	32,851,437	32,470,262
Less: provisions for bad debts	6,212,714	6,286,682
Carrying amount	26,638,723	26,183,580

#### (2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance				Carrying amount	Opening balance				
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)		Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	
Individually significant and subject to provision individually/a/	9,226,093	28.08	6,160,819	66.78	3,065,274	9,324,652	28.72	6,234,787	66.86	3,089,865
Subject to provision by portfolios of credit risk characteristics	23,573,449	/	-	/	23,573,449	23,093,715	/	-	/	23,093,715
Group 1	-	-	-	-	-	-	-	-	-	-
Group 2	23,573,449	71.76	-	-	23,573,449	23,093,715	71.12	-	-	23,093,715
Other receivables which are individually insignificant but subject to provision individually	51,895	0.16	51,895	100.00	-	51,895	0.16	51,895	100.00	-
Total	32,851,437	/	6,212,714	/	26,638,723	32,470,262	/	6,286,682	/	26,183,580

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	Closing balance		Proportion of provision (%)	Reasons
		Book value	Provision for bad debts		
Party 1	Subsidiary	6,784,329	3,719,055	54.82	Discounted amount of future cash flows is less than the original book value.
Party 2	Subsidiary	2,441,764	2,441,764	100.00	
Total		9,226,093	6,160,819	/	/

(3) Reversal for bad debts for the current year was RMB73,968,000.

(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	32,796,360	32,417,169
Guarantees and deposits	54,335	51,937
Others	742	1,156
Total	32,851,437	32,470,262

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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	15,286,259	Within 4 years	46.53	-
Party 2	Subsidiary	Advance Money/ Internal loan	6,784,329	Within 6 years	20.65	3,719,055
Party 3	Subsidiary	Advance Money/ Internal loan	2,441,764	Within 7 years	7.43	2,441,764
Party 4	Subsidiary	Advance Money/ Internal loan	2,366,704	Within 4 years	7.21	-
Party 5	Subsidiary	Internal loan	1,082,200	Within 4 years	3.29	-
Total	/	/	27,961,256	/	85.11	6,160,819

(7) As at 31 December 2017, 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 2016: nil).

### 6. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	Discount rate interval
Receivables from subsidiaries of the Company	5,578,767	152,784	5,425,983	4,195,045	150,471	4,044,574	/
Others	2,037	-	2,037	2,037	-	2,037	/
Total	5,580,804	152,784	5,428,020	4,197,082	150,471	4,046,611	/
Less: Long term receivables due within one year	1,277,037	-	1,277,037	1,577,037	-	1,577,037	/
Long term receivables due after one year	4,303,767	152,784	4,150,983	2,620,045	150,471	2,469,574	/

As at 31 December 2017, due to exchange realignment, the carrying amount of long-term receivable and the provision for bad debts increased by RMB2,313,000 (as at 31 December 2016: increased by RMB8,643,000).

As at 31 December 2017, 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 2016: nil).

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 7. Long-term equity investments

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	85,746,150	175,034	85,571,116	79,249,042	175,034	79,074,008
Joint ventures and associates	383,711	113,146	270,565	356,249	113,146	243,103
Total	<u>86,129,861</u>	<u>288,180</u>	<u>85,841,681</u>	<u>79,605,291</u>	<u>288,180</u>	<u>79,317,111</u>

#### (1) Subsidiaries

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year	Closing Balance net of provision
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,898,546	-	-	1,898,546	-	-	1,898,546
Northern Engineering & Technology Corporation, MCC	826,271	-	-	826,271	-	-	826,271
China MCC 3 Group Co., Ltd.	900,096	-	-	900,096	-	-	900,096
Shen Kan Engineering & Technology Corporation, MCC	234,972	20,000	-	254,972	-	-	254,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	3,959,355	1,134,283	-	5,093,638	-	-	5,093,638
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Limited	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,583,970	-	-	1,583,970	-	-	1,583,970
MCC Tongsin Resources Ltd.	3,462,899	20,429	-	3,483,328	-	-	3,483,328
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited (a)	6,799,653	370,541	-	7,170,194	-	-	7,170,194
MCC Real Estate Group Co., Ltd.	4,442,739	1,371,778	-	5,814,517	-	-	5,814,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,261,984	-	-	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.	2,253,939	490,000	-	2,743,939	-	-	2,743,939
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 7. Long-term equity investments (Continued)

#### (1) Subsidiaries (Continued)

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year	Closing Balance net of provision
Beijing Metallurgical Equipment Research Design Institute Co., 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.	3,050,967	-	-	3,050,967	-	-	3,050,967
China Metallurgical Construction Engineering Group Co., Ltd.	1,585,910	500,000	-	2,085,910	-	-	2,085,910
China MCC 19 Group Co., Ltd.	2,454,357	520,000	-	2,974,357	-	-	2,974,357
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.	4,570,953	2,140,000	-	6,710,953	-	-	6,710,953
Huatian Engineering & Technology Corporation, MCC	2,156,648	-	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,663,743	91,618	-	1,755,361	-	-	1,755,361
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
WISDRI Engineering & Research Incorporation Limited <sup>(b)</sup>	5,158,678	234,734	-	5,393,412	-	-	5,393,412
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd.	991,130	-	-	991,130	-	-	991,130
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	233,777	-	-	233,777	-	-	233,777
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	-	-	1,110,635	-	-	1,110,635
MCC Mining (Western Australia) Pty Ltd.	126,807	-	-	126,807	-	126,807	-
MCC Australia Holding Pty Ltd.	48,227	-	-	48,227	-	48,227	-
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Northeast Construction & Development Co., Ltd.	305,191	-	-	305,191	-	-	305,191
MCC Inner Mongolia Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC South China Construction Investment Co., Ltd.	-	51,000	-	51,000	-	-	51,000
MCC Rail Transit Co., Ltd.	-	30,000	-	30,000	-	-	30,000
MCC Zhongyuan Construction Investment Co., Ltd.	-	20,000	-	20,000	-	-	20,000
MCC Integrated Pipe Network Technology & Development Co., Ltd.	-	50,000	-	50,000	-	-	50,000
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. <sup>(a)</sup>	370,541	-	370,541	-	-	-	-
Wuhan Iron and Steel Design & Research Incorporation Limited <sup>(b)</sup>	234,734	-	234,734	-	-	-	-
Indirect holding subsidiaries	686,000	70,000	12,000	744,000	-	-	744,000
<b>Total</b>	<b>79,249,042</b>	<b>7,114,383</b>	<b>617,275</b>	<b>85,746,150</b>	<b>-</b>	<b>175,034</b>	<b>85,571,116</b>



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 7. Long-term equity investments (Continued)

#### (1) Subsidiaries (Continued)

- (a) For the current year, the Company used its equity interest in Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. as capital injection into MCC Capital Engineering & Research Incorporation Limited, both of these two companies are subsidiaries of the Company.
- (b) For the current year, the Company used its equity interest in Wuhan Iron and Steel Design & Research Incorporation Limited as capital injection into WISDRI Engineering & Research Incorporation Limited, both of these two companies are subsidiaries of the Company.

#### (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	Other		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	100,000	-	-	942	-	-	-	-	-	100,942	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	96,720	-	-	2,344	-	-	-	-	-	99,064	-
MCC Jianxin Investment Fund Management Co., Ltd.	26,859	25,000	-	2,022	-	-	-	-	-	53,881	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	19,524	-	-	(2,846)	-	-	-	-	-	16,678	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
<b>Total</b>	<b>243,103</b>	<b>25,000</b>	<b>-</b>	<b>2,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>270,565</b>	<b>113,146</b>

In the Reporting Period, there are no significant restrictions on withdrawing the above long-term equity investments.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 8. Short-term borrowings

#### (1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Credit loans	20,310,515	27,514,934
RMB	19,803,393	26,500,000
USD	326,710	741,906
Others	180,412	273,028
Total	20,310,515	27,514,934

(2) As at 31 December 2017, there were no significant short-term borrowings overdue but not yet paid.

(3) As at 31 December 2017, the weighted average interest rate of short-term borrowings was 3.56% per annum (as at 31 December 2016: 3.85% per annum).

### 9. Other payables

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries	13,272,140	10,931,696
Other related parties within CMGC	–	368,471
Other companies within CMC	107,990	–
Others	538,517	130,168
Total	13,918,647	11,430,335

### 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)	3,290,944	550,000
Long-term employee benefits due within one year	2,347	3,755
Long-term payable within one year	–	300,000
Bonds payable within one year	2,704,000	–
Total	5,997,291	853,755

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Mortgaged loans (a):	<b>400,000</b>	800,000
RMB	<b>400,000</b>	800,000
Guaranteed loans (b):	–	100,000
RMB	–	100,000
Credit loans:	<b>4,140,944</b>	4,666,690
RMB	<b>2,050,000</b>	2,100,000
USD	<b>2,090,944</b>	2,566,690
Total	<b>4,540,944</b>	5,566,690
Less: Long-term borrowings due within one year (Note XVI10):	<b>3,290,944</b>	550,000
Including: Mortgaged loans	<b>400,000</b>	400,000
Guaranteed loans	–	100,000
Credit loans	<b>2,890,944</b>	50,000
Long-term borrowings due over one year	<b>1,250,000</b>	5,016,690

- (a) As at 31 December 2017, borrowings of RMB400,000,000 (as at 31 December 2016: RMB800,000,000) were secured by the mortgage of inventory in an aggregate amount of RMB1,052,805,000 (as at 31 December 2016: RMB1,052,805,000) of a subsidiary of the Company, China 22 MCC Group Co., Ltd.
- (b) As at 31 December 2017, the Company had no certain guaranteed loans (as at 31 December 2016: RMB100,000,000 were guaranteed by a subsidiary of the Company, MCC Finance Corporation Ltd.).
- (c) As at 31 December 2017, the weighted average interest rate of long-term borrowings was 3.02% per annum (as at 31 December 2016: 4.46% 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	<b>4,091,850</b>	<b>3,706,520</b>	1,719,540	1,450,301
Other business	<b>17</b>	–	–	–
Total	<b>4,091,867</b>	<b>3,706,520</b>	1,719,540	1,450,301

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 12. Operating revenue and operating costs (Continued)

(2) Classified by industries:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Engineering contracting	2,875,261	1,468,474
Others	1,216,589	251,066
Total	4,091,850	1,719,540

(3) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
China	1,216,589	291,497
Other countries/regions	2,875,261	1,428,043
Total	4,091,850	1,719,540

(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 (%)
Party1	Third Party	854,799	20.89
Party2	Third Party	657,941	16.08
Party3	Subsidiary	607,226	14.84
Party4	Third Party	581,965	14.22
Total	/	2,701,931	66.03

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 13. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Bad debt provision	(37,497)	139,247
Including: Accounts receivable bad debts	46,612	105
Other receivables bad debts	(73,968)	116,790
Total	(37,497)	139,247

### 14. Investment Income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Investment incomes under cost method	2,379,402	4,576,570
Investment incomes under equity method	2,462	1,352
Investment income on disposal of long-term equity investments	–	760
Investment income from holding available-for-sale financial assets	–	363
Total	2,381,864	4,579,045

There is no major restriction of investment income repatriation to the Company.

### 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
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	2,379,638	4,017,794
Add: Provision for impairment losses of assets	(37,497)	139,247
Depreciation of fixed assets	2,137	2,817
Amortization of intangible assets	2,334	2,366
Losses on written-off of fixed assets	31	35
Financial expenses	166,490	433,543
Gains arising from investments	(2,381,864)	(4,579,045)
(Increase) Decrease in inventories	(122,065)	395,724
Decrease (Increase) in receivables from operating activities	604,473	(282,774)
Increase in payables from operating activities	173,369	94,864
Net cash flows from operating activities	787,046	224,571

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 15. Supplementary information to the cash flow statement (Continued)

1) *Supplementary information to the cash flow statement (Continued)*

Supplementary information	Amount for the current year	Amount for the prior year
<b>2. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	4,648,065	7,692,102
Less: Opening balance of cash	7,692,102	2,727,147
Net (decrease) increase in cash and cash equivalents	(3,044,037)	4,964,955

(2) In FY2017, the Company increased the capital of a subsidiary China Metallurgical Construction Group Co., Ltd., with other receivables of RMB1,371,778,000.

(3) *Cash and cash equivalents*

*All amounts in RMB'000*

Items	Closing balance	Opening balance
I. Cash	4,648,065	7,692,102
Including: Cash on hand	350	190
Bank deposits without restriction	4,647,715	7,691,912
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	4,648,065	7,692,102

### 16. Related party relationships and transactions

(1) The basic information of the parent of the Company, CMC and the ultimate controlling party, see Note XIII.

(2) The basic information of the subsidiaries, see Note IX1.

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (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	
Beijing Jingxi Travel Industry Investment Fund (limited partnership) (note X3(1)(a)(ii))	Beijing	Beijing	Culture and tourism project investment	9.08	-	Equity method
MCC-Huafa Integrated Pipe Network Co., Ltd.	Guangdong	Guangdong	Municipal pipeline design and construction	50.00	-	Equity method
MCC Jianxin Investment Fund Management Co., Ltd.	Beijing	Beijing	Non-securities investment management, consulting	50.00	-	Equity method
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	Guangdong	Guangdong	Integrated pipe network project investment and financing	40.00	-	Equity method
MCC Xiangxi Mining Industry Co., Ltd.	Hunan	Hunan	Mineral products processing and sales	50.00	-	Equity method

#### (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
Minmetals Steel Chengdu Co., Ltd.	Purchasing goods	802,505	-
Total		802,505	-
China MCC 17 Group Co., Ltd.	Receiving service	1,015,342	1,074,843
China MCC 5 Group Co., Ltd.	Receiving service	854,799	-
China MCC 20 Group Co., Ltd.	Receiving service	581,586	280,852
China Metallurgical Construction Engineering Group Co., Ltd.	Receiving service	268,957	-
MCC International Incorporation Ltd.	Receiving service	13,517	11,586
CISDI Group Co., Ltd.	Receiving service	2,883	862
China ENFI Engineering Co., Ltd.	Receiving service	283	-
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	Receiving service	283	-
Central Research Institute of Building and Construction Co., Ltd.	Receiving service	-	343
Total		2,737,650	1,368,486

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (a) Sales and purchase of goods, provision and receipt of services (Continued)

##### (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
China MCC 5 Group Co., Ltd.	Selling goods	344,446	–
MCC Communication Construction Group Co., Ltd. (Original name: MCC Communication Engineering Technology Co., Ltd.)	Selling goods	343,293	–
MCC TianGong Group Corporation Limited	Selling goods	180,652	–
China Metallurgical Construction Engineering Group Co., Ltd.	Selling goods	40,763	–
China MCC 19 Group Co., Ltd.	Selling goods	39,796	–
Total		948,950	–
MCC Communication Construction Group Co., Ltd.	Project management service	263,933	251,066
Total		263,933	251,066

##### (b) Borrowings/loans with related parties

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
<b>Borrowed from related parties:</b>		
MCC Finance Corporation Ltd.	9,000,000	10,800,000
MCC Real Estate Group Co., Ltd.	3,012,144	4,100,000
Shanghai Baoye Group Corp., Ltd.	2,323,153	659,015
MCC Northeast Construction & Development Co., Ltd.	915,330	–
China Huaye Group Co., Ltd.	500,000	–
China ENFI Engineering Co., Ltd.	400,000	–
China Metallurgical Group Corporation	300,000	78,980
MCC Communication Construction Group Co., Ltd. (Original name: MCC Communication Engineering Technology Co., Ltd.)	300,000	–
MCC Capital Engineering & Research Incorporation Limited	293,318	–
Zhong Ye Chang Tian International Engineering Co., Ltd.	169,889	–
MCC Baosteel Technology Services Co., Ltd.	50,000	–
WISDRI Engineering & Research Incorporation Limited	1,000	–
Total	17,264,834	15,637,995



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (b) Borrowings/loans with related parties (Continued)

All amounts in RMB'000

Related Party	Amount for the current year	Amount for the prior year
<b>Lending to related parties</b>		
MCC Real Estate Group Co., Ltd.	2,819,503	3,180,000
China MCC 20 Group Co., Ltd.	1,992,380	2,474,950
MCC Northeast Construction & Development Co., Ltd.	1,210,000	-
China MCC 17 Group Co., Ltd.	858,467	2,526,000
MCC-JJJ Mining Development Company Limited.	736,528	125,000
China MCC 3 Group Co., Ltd.	501,359	-
China Second Metallurgical Group Corporation Limited	450,000	300,000
China 22MCC Group Co., Ltd.	450,000	260,000
MCC Overseas Ltd.	183,805	-
MCC-SFRE Heavy Industry Equipment Co., Ltd.	130,000	290,520
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	80,000	91,670
Huatian Engineering & Technology Corporation, MCC	25,000	350,000
China Metallurgical Construction Engineering Group Co., Ltd.	-	1,400,000
Shanghai Baoye Group Corp., Ltd.	-	614,630
China Huaye Group Co., Ltd.	-	115,804
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
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	-	13,000
MCC Communication Construction Group Co., Ltd.	-	10,000
Total	9,437,042	11,848,784

The interest rates of certain loans from/to related parties mentioned above ranged from 0% to 6.30%.

##### (c) Leases with related parties

All amounts in RMB'000

Related Party	Types of leased assets	Rental fee confirmed this year	Rental fee confirmed prior year
China Metallurgical Group Corporation	Plants and constructions	16,882	16,070
Total		16,882	16,070

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (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	Issuing bonds	3,267,100	3 years	No	2017-05-31	2020-05-30
MCC Holding (Hong Kong) Corporation Limited	Issuing bonds	3,267,100	3 years	No	2017-07-17	2020-07-16
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Borrowings	2,328,000	24 years	No	2008-01-08	2032-01-07
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
Ramu NiCo Management(MCC) Limited.	Borrowings	973,596	25 months	No	2016-06-24	2018-07-24
MCC Holding (Hong Kong) Corporation Limited	Borrowings	457,394	1 year	No	2017-08-24	2018-08-23
MCC Holding (Hong Kong) Corporation Limited	Borrowings	326,710	3 years	No	2017-01-13	2020-01-13
MCC Holding (Hong Kong) Corporation Limited	Borrowings	326,710	37 months	No	2017-08-18	2020-09-30
MCC Holding (Hong Kong) Corporation Limited	Borrowings	196,026	2 year	No	2016-12-15	2018-12-15
MCC Holding (Hong Kong) Corporation Limited	Borrowings	196,026	10 months	No	2017-04-06	2018-01-18
Hong Kong Nan Hua International Engineering Ltd.	Borrowings	154,421	20 months	No	2016-10-26	2018-06-30
MCC Holding (Hong Kong) Corporation Limited	Borrowings	130,684	6 months	No	2017-08-02	2018-01-18
MCC OVERSEAS (M) SDN BHD	Borrowings	127,915	44 months	No	2017-12-20	2021-07-12
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Borrowings	100,000	3 years	No	2017-06-27	2020-06-26
MCC OVERSEAS (M) SDN BHD	Borrowings	89,151	45 months	No	2016-01-01	2019-09-15
Total	/	13,940,833	/	/	/	/

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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.	643,154	735,169
China 22MCC Group Co., Ltd.	171,766	194,143
MCC-JJJ Mining Development Company Limited	145,127	99,164
MCC-SFRE Heavy Industry Equipment Co., Ltd.	52,063	43,752
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	51,846	50,264
MCC Communication Construction Group Co., Ltd.	35,795	35,681
China Huaye Group Co., Ltd.	25,924	27,855
Central Research Institute of Building and Construction Co., Ltd.	18,332	18,998
Huatian Engineering & Technology Corporation, MCC	15,700	33,320
Shanghai Baoye Group Corp., Ltd.	15,498	16,371
China MCC 3 Group Co., Ltd.	13,751	3,876
China MCC International Economic and Trade Co., Ltd.	9,827	13,592
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	6,919	1,727
MCC Overseas Ltd.	5,168	-
MCC Finance Corporation Ltd.	4,601	6,558
China MCC 20 Group Co., Ltd.	2,539	4,102
China ENFI Engineering Co., Ltd.	2,251	2,159
Shen Kan Engineering & Technology Corporation, MCC	2,008	732
China MCC 17 Group Co., Ltd.	1,694	4,766
MCC Holding (Hong Kong) Corporation Limited	202	-
China Second Metallurgical Group Corporation Limited	54	-
China Metallurgical Construction Engineering Group Co., Ltd.	-	161
Total	<b>1,224,219</b>	<b>1,292,390</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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.	87,405	74,226
Shanghai Baoye Group Corp., Ltd.	23,096	11,869
China Metallurgical Group Corporation	21,366	21,890
MCC Capital Engineering & Research Incorporation Limited	1,053	-
Zhong Ye Chang Tian International Engineering Co., Ltd.	547	-
MCC Holding (Hong Kong) Corporation Limited	-	29,776
Total	133,467	137,761

#### (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.	1,586,005	-	6,100	-
Total		1,586,005	-	6,100	-

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Dividend receivable	China 22MCC Group Co., Ltd.	244,965	-	286,171	-
Dividend receivable	CISDI Group Co., Ltd.	236,656	-	236,656	-
Dividend receivable	MCC TianGong Group Corporation Limited	162,086	-	243,230	-
Dividend receivable	Huatian Engineering & Technology Corporation, MCC	135,578	-	155,631	-
Dividend receivable	WISDRI Engineering & Research Incorporation Limited	93,069	-	177,398	-
Dividend receivable	China MCC 17 Group Co., Ltd.	85,212	-	129,539	-
Dividend receivable	China Second Metallurgical Group Corporation Limited	41,794	-	41,790	-
Dividend receivable	China ENFI Engineering Co., Ltd.	36,206	-	65,823	-
Dividend receivable	MCC Capital Engineering & Research Incorporation Limited	33,643	-	33,643	-
Dividend receivable	Zhong Ye Chang Tian International Engineering Co., Ltd.	26,318	-	48,161	-
Dividend receivable	MCC Overseas Ltd.	19,814	-	19,814	-
Dividend receivable	Northern Engineering & Technology Corporation, MCC	13,876	-	13,876	-
Dividend receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	-	5,797	-
Dividend receivable	China MCC 5 Group Co., Ltd.	191	-	191	-
Dividend receivable	MCC Real Estate Group Co., Ltd.	-	-	381,332	-
Dividend receivable	MCC Communication Construction Group Co., Ltd.	-	-	252,141	-
Dividend receivable	China Metallurgical Construction Engineering Group Co., Ltd.	-	-	9,456	-
Total		<u>1,135,205</u>	<u>-</u>	<u>2,100,649</u>	<u>-</u>
Accounts receivable	MCC Mining (Western Australia) Pty Ltd.	277,802	-	294,927	-
Accounts receivable	China MCC International Economic and Trade Co., Ltd.	18,294	-	18,294	-
Total		<u>296,096</u>	<u>-</u>	<u>313,221</u>	<u>-</u>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	MCC Real Estate Group Co., Ltd.	15,286,259	-	13,838,535	-
Other receivables	MCC Mining (Western Australia) Pty Ltd.	6,784,329	3,719,055	6,808,920	3,719,055
Other receivables	MCC Australia Holding Pty Ltd.	2,441,764	2,441,764	2,515,732	2,515,732
Other receivables	China 22MCC Group Co., Ltd.	2,366,704	-	2,766,510	-
Other receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,082,200	-	967,200	-
Other receivables	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	863,870	-	863,870	-
Other receivables	China Huaye Group Co., Ltd.	525,615	-	539,733	-
Other receivables	MCC Communication Construction Group Co., Ltd.	509,872	-	841,430	-
Other receivables	Huatian Engineering & Technology Corporation, MCC	380,118	-	355,106	-
Other receivables	MCC-JJJ Mining Development Company Limited	320,436	-	210,455	-
Other receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	304,638	-	224,633	-
Other receivables	China MCC 3 Group Co., Ltd.	279,769	-	56,639	-
Other receivables	MCC Overseas Ltd.	252,154	-	48,245	-
Other receivables	China MCC International Economic and Trade Co., Ltd.	240,831	-	240,831	-
Other receivables	CISDI Group Co., Ltd.	200,000	-	200,000	-
Other receivables	MCC Holding (Hong Kong) Corporation Limited	186,050	-	509,260	-
Other receivables	China First Metallurgical Group Co., Ltd.	146,626	-	146,515	-
Other receivables	MCC TianGong Group Corporation Limited	110,485	-	1,429	-
Other receivables	China MCC 20 Group Co., Ltd.	101,572	-	90,334	-
Other receivables	Shanghai Baoye Group Corp., Ltd.	81,591	-	696,221	-
Other receivables	China MCC 17 Group Co., Ltd.	69,591	-	334,226	-
Other receivables	MCC Tongsin Resources Ltd.	66,193	-	66,189	-
Other receivables	MCC International Incorporation Ltd.	53,966	-	-	-
Other receivables	China Metallurgical Construction Engineering Group Co., Ltd.	40,078	-	2,126	-
Other receivables	Shen Kan Engineering & Technology Corporation, MCC	35,970	-	35,970	-
Other receivables	MCC Baosteel Technology Services Co., Ltd.	32,477	-	32,477	-
Other receivables	MCC Capital Engineering & Research Incorporation Limited	20,033	-	20,000	-
Other receivables	China MCC 19 Group Co., Ltd.	11,653	-	3,656	-
Other receivables	China MCC 5 Group Co., Ltd.	1,085	-	496	-
Other receivables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	310	-	310	-
Other receivables	China Second Metallurgical Group Corporation Limited	121	-	121	-
Total		32,796,360	6,160,819	32,417,169	6,234,787

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Prepayments	China MCC 17 Group Co., Ltd.	15,728	-	-	-
Prepayments	China MCC International Economic and Trade Co., Ltd.	5,120	-	5,120	-
Prepayments	Shanghai Baoye Group Corp., Ltd.	4,693	-	4,693	-
Prepayments	China MCC 20 Group Co., Ltd.	-	-	131,251	-
Total		<u>25,541</u>	<u>-</u>	<u>141,064</u>	<u>-</u>
Interests receivable	China 22MCC Group Co., Ltd.	528,645	-	395,331	-
Interests receivable	MCC Mining (Western Australia) Pty Ltd.	383,612	-	386,227	-
Interests receivable	MCC Australia Holding Pty Ltd.	326,864	326,864	339,318	339,318
Interests receivable	China Huaye Group Co., Ltd.	229,076	-	205,174	-
Interests receivable	MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	154,857	-	103,011	-
Interests receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	86,131	-	34,331	-
Interests receivable	MCC Tongsin Resources Ltd.	69,616	-	73,863	-
Interests receivable	China MCC International Economic and Trade Co., Ltd.	51,082	-	41,255	-
Interests receivable	MCC-JJJ Mining Development Company Limited	39,768	-	1,030	-
Interests receivable	MCC Communication Construction Group Co., Ltd.	30,528	-	29,692	-
Interests receivable	Huatian Engineering & Technology Corporation, MCC	16,042	-	25,341	-
Interests receivable	Central Research Institute of Building and Construction Co., Ltd.	13,722	-	13,487	-
Interests receivable	MCC Holding (Hong Kong) Corporation Limited	7,503	-	7,739	-
Interests receivable	MCC Overseas Ltd.	6,304	-	1,136	-
Interests receivable	China MCC 3 Group Co., Ltd.	5,160	-	8,440	-
Interests receivable	China MCC 20 Group Co., Ltd.	3,257	-	619	-
Interests receivable	Shen Kan Engineering & Technology Corporation, MCC	2,740	-	732	-
Interests receivable	MCC Real Estate Group Co., Ltd.	101	-	656,274	-
Interests receivable	Shanghai Baoye Group Corp., Ltd.	-	-	16,371	-
Total		<u>1,955,008</u>	<u>326,864</u>	<u>2,339,371</u>	<u>339,318</u>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Long-term receivables	MCC-JJJ Mining Development Company Limited	2,407,003	-	2,310,595	-
Long-term receivables	MCC Northeast Construction & Development Co., Ltd.	1,210,000	-	-	-
Long-term receivables	Central Research Institute of Building and Construction Co., Ltd.	315,110	-	15,110	-
Long-term receivables	MCC Mining (Western Australia) Pty Ltd.	152,784	152,784	150,471	150,471
Long-term receivables	China MCC International Economic and Trade Co., Ltd.	80,000	-	80,000	-
Long-term receivables	China MCC 3 Group Co., Ltd.	75,000	-	-	-
Long-term receivables	China ENFI Engineering Co., Ltd.	46,730	-	46,730	-
Long-term receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	11,670	-	11,670	-
Long-term receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,470	-	5,469	-
Total		<u>4,303,767</u>	<u>152,784</u>	<u>2,620,045</u>	<u>150,471</u>
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	-
Total		<u>1,275,000</u>	<u>-</u>	<u>1,575,000</u>	<u>-</u>



# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## 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.	6,280,000	4,950,000
Total		<b>6,280,000</b>	<b>4,950,000</b>
Accounts Payable	China MCC 17 Group Co., Ltd.	303,376	373,000
Accounts Payable	China MCC 20 Group Co., Ltd.	199,905	141,816
Accounts Payable	China MCC 5 Group Co., Ltd.	146,097	–
Accounts Payable	China 22MCC Group Co., Ltd.	50,036	55,689
Accounts Payable	Northern Engineering & Technology Corporation, MCC	44,253	44,253
Accounts Payable	Shanghai Baoye Group Corp., Ltd.	37,625	37,625
Accounts Payable	MCC Capital Engineering & Research Incorporation Limited	14,000	8,347
Accounts Payable	MCC Overseas Ltd.	11,141	11,141
Accounts Payable	Zhong Ye Chang Tian International Engineering Co., Ltd.	5,832	5,832
Total		<b>812,265</b>	<b>677,703</b>
Other payables	MCC Real Estate Group Co., Ltd.	3,012,143	4,100,000
Other payables	Shanghai Baoye Group Corp., Ltd.	2,618,391	971,012
Other payables	MCC Northeast Construction & Development Co., Ltd.	915,330	–
Other payables	China MCC 20 Group Co., Ltd.	838,941	1,038,941
Other payables	China Huaye Group Co., Ltd.	749,672	255,672
Other payables	China MCC 19 Group Co., Ltd.	492,057	293,551
Other payables	China 13th Metallurgical Construction Corporation	490,907	365,147
Other payables	MCC Capital Engineering & Research Incorporation Limited	486,882	281,250
Other payables	China ENFI Engineering Co., Ltd.	479,353	90,689
Other payables	China 22MCC Group Co., Ltd.	301,432	315,347
Other payables	MCC Communication Construction Group Co., Ltd. (Original name: MCC Communication Engineering Technology Co., Ltd.)	300,000	–
Other payables	Zhong Ye Chang Tian International Engineering Co., Ltd.	293,768	159,272
Other payables	China Second Metallurgical Group Corporation Limited	282,982	299,358
Other payables	MCC International Incorporation Ltd.	281,813	827,686
Other payables	China MCC 3 Group Co., Ltd.	269,102	227,742
Other payables	China MCC 5 Group Co., Ltd.	254,518	191,984
Other payables	China Metallurgical Construction Engineering Group Co., Ltd.	191,092	215,821
Other payables	China First Metallurgical Group Co., Ltd.	180,783	530,783
Other payables	CISDI Group Co., Ltd.	163,388	186,117
Other payables	Minmetals Steel Chengdu Co., Ltd.	107,990	–
Other payables	Northern Engineering & Technology Corporation, MCC	102,340	106,747

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

### 16. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (b) Payables (Continued)

All amounts in RMB'000

Items	Related party	Closing balance	Opening balance
Other payables	WISDRI Engineering & Research Incorporation Limited	87,694	105,766
Other payables	Central Research Institute of Building and Construction Co., Ltd.	85,014	90,373
Other payables	Shen Kan Engineering & Technology Corporation, MCC	84,708	30,726
Other payables	MCC Baosteel Technology Services Co., Ltd.	73,460	26,811
Other payables	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	45,447	47,225
Other payables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	37,297	37,297
Other payables	MCC Mining (Western Australia) Pty Ltd.	35,099	34,567
Other payables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	25,314	28,931
Other payables	MCC Overseas Ltd.	21,559	21,559
Other payables	MCC Australia Holding Pty Ltd.	20,882	20,566
Other payables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	18,567	377
Other payables	China MCC 17 Group Co., Ltd.	12,128	14,436
Other payables	Huatian Engineering & Technology Corporation, MCC	10,838	6,626
Other payables	MCC Tongsin Resources Ltd.	9,236	9,236
Other payables	Ramu NiCo Management (MCC) Limited	3	3
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	-	368,471
Other payables	MCC TianGong Group Corporation Limited	-	78
<b>Total</b>		<b>13,380,130</b>	<b>11,300,167</b>
Interest payable	MCC Holding (Hong Kong) Corporation Limited	517	-
Interest payable	Shanghai Baoye Group Corp., Ltd.	507	-
<b>Total</b>		<b>1,024</b>	<b>-</b>
Non-current liabilities due within one year	Metallurgical Group Corporation	-	300,000
<b>Total</b>		<b>-</b>	<b>300,000</b>
Long-term payables	Metallurgical Group Corporation	378,980	78,980
<b>Total</b>		<b>378,980</b>	<b>78,980</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2017

## XVII SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current year
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.)	634,548
The excess of the fair value of identifiable net assets acquired over the cost of combination	599
Other non-operating income or expenses other than the above items	27,713
Profit or loss on disposal of non-current assets	99,013
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	43,932
Profit or loss on disposal of long-term equity investments	64,525
Impact on income tax	(175,870)
Impact on non-controlling interests	(99,952)
Total	594,508

### 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	8.44	0.26	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	7.49	0.23	Not applicable

# OTHER FINANCIAL DATA

Unit: RMB'000

Items	2017	2016	2015	2014	2013
Operating revenue	<b>243,999,864</b>	219,557,579	217,323,972	215,785,772	202,690,241
Operating costs	<b>212,052,305</b>	191,369,837	188,817,361	187,884,556	175,112,261
Taxes and levies	<b>2,109,021</b>	3,288,123	5,597,162	5,712,644	5,723,373
Selling expenses	<b>1,961,287</b>	1,665,258	1,512,225	1,500,231	1,617,470
Administrative expenses	<b>13,017,914</b>	10,425,174	10,067,076	9,108,267	9,449,306
Financial expenses	<b>3,020,031</b>	2,228,707	2,526,563	4,022,637	4,459,771
Impairment losses of assets	<b>3,908,628</b>	4,023,057	4,569,534	3,298,384	2,288,782
Investment income	<b>548,870</b>	440,053	1,735,160	1,053,667	342,812
Gains on disposal of assets	<b>99,013</b>	84,968	179,788	86,836	240,639
Other income	<b>200,336</b>	—	—	—	—
Operating profit	<b>8,779,119</b>	7,079,229	6,118,554	5,377,083	4,662,084
Non-operating income	<b>438,636</b>	1,172,389	1,149,162	1,575,980	757,753
Non-operating expenses	<b>243,069</b>	603,847	124,580	247,758	123,324
Total profit	<b>8,974,686</b>	7,647,771	7,143,136	6,705,305	5,296,513
Income tax	<b>2,262,832</b>	1,678,124	2,194,392	2,363,950	2,218,717
Net profit	<b>6,711,854</b>	5,969,647	4,948,744	4,341,355	3,077,796
Net profit attributable to shareholders of the Company	<b>6,061,488</b>	5,375,858	4,801,562	3,964,938	2,980,864
Profit or loss attributable to non-controlling interests	<b>650,366</b>	593,789	147,182	376,417	96,932
Basic earnings per share	<b>0.26</b>	0.25	0.24	0.21	0.16
Diluted earnings per share	<b>Not Applicable</b>	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Items	As at the end of 2017	As at the end of 2016	As at the end of 2015	As at the end of 2014	As at the end of 2013
Total assets	<b>414,565,174</b>	377,491,604	343,762,819	325,978,479	322,884,439
Total liabilities	<b>317,244,693</b>	294,383,901	272,607,795	267,953,971	267,819,220
Shareholders' equity	<b>97,320,481</b>	83,107,703	71,155,024	58,024,508	55,065,219

# 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

*Chairman:* **Guo Wenqing**

Date of Approval from the Board: 29 March 2018

## AMENDMENT ON INFORMATION

Applicable       Not Applicable



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