



2018 INTERIM REPORT



中國冶金科工股份有限公司
METALLURGICAL CORPORATION OF CHINA LTD.*

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

** For identification purpose only*

Important Notice

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that the contents of this interim report are true, accurate and complete without false representations, misleading statements or material omissions, and they severally and jointly accept legal responsibility for the above warranty.
- II. All Directors of the Company attended the forty-third meeting of the second session of the Board convened on 30 August 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 review report of unqualified opinion report to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and General Accountant of the Company, and Fan Wanzhu, the Deputy General Accountant and Head of the Financial Planning Department have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.
- V. 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 by the Company and investors are reminded of investment risks.

- VI. Is there any misappropriation of funds by the Controlling Shareholder and its related parties for non-operating purposes

No

- VII. Is there any external guarantee made in violation of the required decision-making procedures

No

- VIII. Warning of major risks

1. International and domestic macroeconomic trends

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

2. Changes in the policies of the industries in which the Company operates 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" (《中國製造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.

- IX. Others

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



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Definitions

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

Definitions of commonly used expressions

“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
“Shareholders’ Meeting”	the Shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of Directors of Metallurgical Corporation of China Ltd.*
“Director(s)”	the Director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director” or “Independent Non-executive Director”	a Director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the Supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*

Definitions

"Reporting Period"	from 1 January 2018 to 30 June 2018
"A Share(s)"	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
"H Share(s)"	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules of the Hong Kong Stock Exchange
"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
"Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"USD"	United States dollars, the lawful currency of the United States
"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 to the Hong Kong Listing Rules

Chairman's Statement



Chairman
Guo Wenqing

Chairman's Statement

You reap what you sow. In the first half of the year, insisting on 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's interim operating results broke records again, creating the historical best compared with the same period before.

During the Reporting Period, the Group had remarkable increase in revenue and profit year on year, among which the operating revenue amounted to RMB126,100 million, representing a year-on-year increase of 24.76%, while the total profit amounted to RMB4,660 million, representing a year-on-year increase of 17.35%, among which the net profit attributable to Shareholders of the listed Company amounted to RMB2,910 million, representing a year-on-year increase of 8.69%. It was the first time for all the four major business segments recorded profit. The revenue from the engineering segment and property segment experienced steady growth, while the revenue and profit from the resource segment increased substantially, and the manufacture segment turned losses into profit. The contract quality continued to improve, with remarkable increase in the number of newly-signed large-scale projects. The newly-signed projects with the amount of over RMB500 million amounted to RMB176,800 million, representing a year-on-year increase of 18.22%, accounting for 59.02% of all newly-signed projects. The Company has made new achievements in scientific and technological innovation, resulting in emerging in major innovation results. Three national enterprise technology centers and one national technology standard innovation base have been approved, becoming one of the first batch of the six international standard innovation bases in China, and the number of science and technology platforms with national level has increased to 24. The Company had 2,100 new authorized patents, accumulating over 23,000 effective patents, further improving its quality of patents. MCC continues to maintain a steady upward development with accelerated development trend.

A wise person changes his way as situation changes, and a knowledgeable person creates rules as time evolves. There are increasing instabilities and uncertainties in the current international situation. As China's economy has turned to a high-quality development stage, the principal contradiction in the society has been transformed into the contradiction between the people's increasing needs for better life and the unbalanced and inadequate development. It is more necessary to rely on technological breakthroughs and innovative drive as compared with before, and to adequately leverage the high-tech resource endowment of MCC, in order to respond to changes in the situation and solve the problems of unbalanced and inadequate contradiction. MCC will continue to unswervingly focus on the high-tech and high-quality development, firmly grasp the fundamentals of prioritizing quality and efficiency, keep abreast of the deepening the drive of reform and innovation, strengthen the solid foundation of technology, manage soft support, vigorously enhance the innovation, brand influence and core competitiveness of the enterprise, and build a new supply system that adapts to new demands. The Company will plan to optimize the business portfolio, strive for sustainable and stable income, enhance the foundation and capability of the enterprise to respond to the new challenges of future development, and prepare for the sustainable development of MCC.

-In the new era, the national team shall be the professional national team. We will continue to unswervingly develop the "national team" of the No. 1 metallurgical construction and operation service in the world. Targeting the high-quality development needs in the steel industry, closely centering on eight key words, including structural adjustment, industrial upgrading, intelligent manufacturing, green manufacturing, new technologies, new process, new materials and new manufacturing methods, taking intellectualization, greenization, and productization, internationalization and others as important measures, the Company will make remarkable achievements in systemic technological innovation, make new and greater contributions to the improvement of sustainable competitiveness in the steel industry, and become a leader in transformation and upgrading of the steel industry in China and development of the global steel industry.

-In the new era, the main force shall have their own features. We will closely follow the characteristics of new demands in the deceleration and quality development stage of the new urbanization in China to achieve greater results. Grasping the increasing development space brought by "the Belt and Road", deeply integrating into the construction of the "Beijing-Tianjin-Hebei Coordinated Development", "Yangtze River Economic Belt" and "China Western Development", and deepening and optimizing the market strategies of "macro environment, large-scale projects and major customers", the Company will unswervingly conduct a thorough improvement in regional markets, improve its market share, strengthen core competence, enhance brand reputation, accelerate the transformation into a world-class urban operator, industrial development system solution provider and the entire life-cycle service provider of engineering projects, and become the most satisfactory partners and promoters for implementation of the new urbanization and regional development strategies.

-In the new era, the forerunner shall have their own strengths. Closely focusing on the market opportunities brought about by the national strategies including beautiful and healthy China, beautiful life and rural revitalization, regarding technology as guidance, taking planning and design consultation as the lead, we will keep track of the industrial demands, expand and strengthen the most competitive market segments of industrial clusters, including energy conservation and environmental protection, urban pipe network, comprehensive governance of water environment, health care industry, beautiful countryside, smart city, new energy, new materials and others, to achieve scale and brand effects, becoming an industry leader of "expert brand + industrial platform company" with high-end technology, products and market and international competitiveness for realization of the guiding role in the industrial value chain.

It is the suitable time to strive ahead for achievement when opportunities come. I believe that employees of MCC who are courageous to fight for and pursue excellence will be even more striving and hardworking, devoting all the efforts to create new and greater value for the country, Shareholders, society and the employees!

国文清

Company Profile and Major Financial Indicators

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

MCC is one of the largest comprehensive groups of engineering and construction in the PRC and the world. 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 Concept Index, Xiong'an New Area Index, SWS 50 Index, and SOE Mixed Ownership Reform 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

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

II. CONTACT PERSON AND CONTACT METHOD

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

Company Profile and Major Financial Indicators

III. CHANGES IN BASIC INFORMATION

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

IV. CHANGE PROFILE OF INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. SHARES OF THE COMPANY

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

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 of the review report	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 on 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the A Shares proceeds raised by MCC have not been fully utilized, CITIC Securities Company Limited continues to supervise MCC on the use of A Shares 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
	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 OF THE COMPANY

(I) Major accounting data

Unit: RMB'000

Major accounting data	For the Reporting Period (January – June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year (%)
Operating revenue	126,112,573	101,085,487	24.76
Net profit attributable to Shareholders of the listed Company	2,907,197	2,674,676	8.69
Net profit attributable to Shareholders of the listed Company after deducting non-recurring profits and losses	2,971,779	2,508,428	18.47
Net cash flow generated from operating activities	-8,106,592	-14,199,872	N/A

	End of the Reporting Period	End of the previous year	Increase/decrease for the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to Shareholders of the listed Company	83,141,824	82,499,829	0.78
Total assets	441,236,303	414,565,174	6.43

(II) Major financial indicators

Major financial indicators	For the Reporting Period (January – June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year (%)
Basic earnings per share (RMB/Share)	0.12	0.11	9.09
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.12	0.11	9.09
Weighted average return on net assets (%)	3.75	3.80	Decreased by 0.05 percentage point
Weighted average return on net assets after deducting non-recurring profits and losses (%)	3.85	3.54	Increased by 0.31 percentage point

Company Profile and Major Financial Indicators

(III) Financial highlights

1. Overview

The highlights of Company's financial position as at 30 June 2018 and the operating results for the six months ended 30 June 2018 are as follows:

- Operating revenue amounted to RMB126,113 million, representing a year-on-year increase of RMB25,028 million or 24.76% from RMB101,085 million in the first half of 2017.
- Operating profit amounted to RMB4,910 million, representing a year-on-year increase of RMB1,066 million or 27.72% from RMB3,844 million in the first half of 2017.
- Net profit amounted to RMB3,499 million, representing a year-on-year increase of RMB581 million or 19.92% from RMB2,918 million in the first half of 2017.
- Net profit attributable to Shareholders of the Company amounted to RMB2,907 million, representing a year-on-year increase of RMB232 million or 8.69% from RMB2,675 million in the first half of 2017.
- Basic earnings per share amounted to RMB0.12, and the basic earnings per share in the first half of 2017 amounted to RMB0.11.
- As at 30 June 2018, total assets amounted to RMB441,236 million, representing an increase of RMB26,671 million or 6.43% from RMB414,565 million as at 31 December 2017.
- As at 30 June 2018, total Shareholders' equity amounted to RMB101,603 million, representing an increase of RMB4,283 million or 4.40% from RMB97,320 million as at 31 December 2017.
- Newly signed contracts amounted to RMB316,607 million, representing an increase of RMB18,828 million or 6.32% from RMB297,779 million in the first half of 2017.

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

Company Profile and Major Financial Indicators

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 RMB111,238 million, representing an increase of RMB24,390 million or 28.08% from RMB86,848 million in the first half of 2017.

(2) *Property Development Business*

Operating revenue amounted to RMB10,488 million, representing an increase of RMB344 million or 3.39% from RMB10,144 million in the first half of 2017.

(3) *Equipment Manufacture Business*

Operating revenue amounted to RMB3,263 million, representing an increase of RMB733 million or 28.95% from RMB2,530 million in the first half of 2017.

(4) *Resource Development Business*

Operating revenue amounted to RMB3,213 million, representing an increase of RMB706 million or 28.19% from RMB2,507 million in the first half of 2017.

(5) *Other Businesses*

Operating revenue amounted to RMB1,666 million, representing an increase of RMB801 million or 92.67% from RMB865 million in the first half of 2017.

Note: The segment revenue and segment gross margin are before inter-segment eliminations; 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	January to June 2018	January to June 2017
I. Total operating revenue		126,112,573	101,085,487
Including: Operating revenue	VII 44	126,112,573	101,085,487
II. Total operating costs		121,419,603	97,351,110
Including: Operating costs	VII 44	110,641,099	87,960,653
Taxes and levies	VII 45	1,190,698	963,708
Selling expenses	VII 46	830,485	839,359
Administrative expenses	VII 47	3,826,959	3,473,706
Research and development expenses	VII 48	1,447,867	1,155,698
Financial expenses	VII 49	1,472,739	1,596,597
Including: Interest expenses		1,961,503	1,680,004
Interest income		1,009,496	407,941
Impairment losses of assets	VII 50	970,746	1,361,389
Impairment losses of credit	VII 51	1,039,010	–
Add: Other income	VII 52	72,940	51,769
Investment income	VII 53	98,723	11,298
Including: Losses of investments in associates and joint ventures		-36,310	-70,135
Gains from changes in fair values	VII 54	8,189	10,680
Gains from disposal of assets	VII 55	36,944	36,011
III. Operating profit		4,909,766	3,844,135
Add: Non-operating income	VII 56	203,788	208,554
Less: Non-operating expenses	VII 57	449,906	78,477
IV. Total profit		4,663,648	3,974,212
Less: Income tax expenses	VII 58	1,164,680	1,056,357
V. Net profit		3,498,968	2,917,855
(I) As classified by continuity of operation			
Net profit from continuing operations		3,498,968	2,917,855
Net profit from discontinued operations		–	–
(II) As classified by vested ownership			
Profit or loss of minority shareholders		591,771	243,179
Net profit attributable to Shareholders of the Company		2,907,197	2,674,676

Company Profile and Major Financial Indicators

Item	Note	January to June 2018	January to June 2017
VI. Other comprehensive income, net of income tax			
Other comprehensive income attributable to Shareholders of the Company, net of income tax	VII 59	-171,555	63,413
(I) Items that will not be reclassified to profit or loss		-163,855	81,146
1. Change in re-measurement of defined benefit obligations		-203,907	141,156
2. Change in fair value of investment in other equity instruments		-120,171	141,156
3. Exchange differences on translating foreign currency statements		-83,736	-
(II) Items that may be reclassified subsequently to profit or loss		40,052	-60,010
1. Other comprehensive income of convertible profit or loss under the equity method		20	-104
2. Gains or losses from change of fair value of available-for-sale financial assets		-	-7,010
3. Exchange differences on translating foreign currency statements		40,032	-52,896
Other comprehensive income attributable to non-controlling interests, net of income tax		-7,700	-17,733
VII. Total comprehensive income		3,327,413	2,981,268
Total comprehensive income attributable to Shareholders of the Company		2,743,342	2,755,822
Total comprehensive income attributable to non-controlling interests		584,071	225,446
VIII. Earnings per share	XV 3		
(I) Basic earnings per share (RMB/share)		0.12	0.11
(II) Diluted earnings per share (RMB/share)		N/A	N/A

(2) Summary of Consolidated Total Assets and Total Liabilities at the end of June 2018

Unit: RMB'000

	30 June 2018	31 December 2017
Total assets	441,236,303	414,565,174
Total liabilities	339,632,917	317,244,693
Total shareholders' equity	101,603,386	97,320,481

Company Profile and Major Financial Indicators

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

Applicable Not Applicable

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

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (if applicable)
Profit or loss on disposal of non-current assets	36,944	Note XVII
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)	264,176	Note XVII
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	1,455	Note XVII
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	-	-
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	17,321	Note XVII

Company Profile and Major Financial Indicators

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (if applicable)
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 or expenses other than the above items	-295,777	Note XVII
Other profit or loss items that fall within the meaning of non-recurring profit and loss	15,263	Note XVII
Impact on non-controlling interests	-25,767	Note XVII
Impact on income tax	-78,197	Note XVII
Total	-64,582	Note XVII

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 the first half of 2018, China economy maintained stability amid changing conditions while facing some new problems and challenges. The national investment in fixed assets (excluding farmers) in the first half of 2018 amounted to RMB29,731,600 million, representing an increase of 6% as compared with the same period last year with a declining growth rate. Monetary policy stance was neutral yet tightening and regulations on financial activities were augmenting.

Upon in-depth promotion of multiple supply-side structural reform measures, including elimination of outdated industrial capacity, removal of “substandard steel” and stringent environmental protection policies, in the first half of 2018, the entire iron and steel industry was able to swiftly escape from of the ebb of overall losses, record a substantial improvement on profitability, and enter a relatively stable period for development. As restrictive production for environmental protection continued to drive iron and steel enterprises to speed up environmental protection reforms, structural adjustments as well as transformation and upgrade, The whole sector has relatively strong market demand for green development, intelligent development and top-level operation service, which provided numerous opportunities for the Company to strive for achieving “further advancement, further optimization and further re-creation of the national team for metallurgical construction” in its traditional core business.

In the first half of 2018, investment in infrastructure (excluding production and supply industry of electricity, heat, gas and water) represented a year-on-year increase of 7.3%. The national investment growth in infrastructure obviously slowed down in the first half of 2018. According to the overall deployment of the Central Committee of the Party, going forward, the capacity to bolster the weakness of the fundamental infrastructure sector will be strengthened, in order to boost innovation and develop new momentum. It is expected to rebound in the second half of 2018, as the structural and regional adjustments may serve as the main drivers to replace the previous drivers as a whole. Greater efforts may be intensified by the middle and western districts where infrastructure is relatively weak, while major strategies of rural revitalization and precise poverty alleviation will also speed up growth in rural areas.

In the first half of 2018, the world economy witnessed an overall sluggish recovery, but structural problems have not been effectively resolved, thereby increasing instabilities and uncertainties caused by diverse macroeconomic policies, trade protectionism and others. Meanwhile, more market opportunities also existed in overseas business expansion, which were mainly reflected in the following aspects: The PRC government continued to facilitate the construction of “the Belt and Road” Initiative and strengthened its strategic alignment with other countries along the route to usher in a broader room for cooperation in infrastructure construction, energy cooperation and equipment manufacturing and other fields; China has accumulated abundant foreign exchange reserves in the previous round of global prosperity with sufficient capital which provided funding as favorable support to PRC enterprises for direct foreign investment.

2. The Operating Results of the Business

During the Reporting Period, the new construction contracts of the Company amounted to RMB299.63 billion, representing a year-on-year increase of 9.12%, further creating a record high. Newly signed metallurgical engineering contracts amounted to RMB44.569 billion, accounted for 14.87% of the new contracts, representing an increase of 9.40% as compared with the same period of 2017. Newly signed non-steel engineering contracts amounted to RMB255.061 billion, accounted for 85.13% of the new contracts, representing an increase of 9.07% as compared with the same period of 2017. Newly signed overseas contracts amounted to RMB7.755 billion.

The overall operating results of the engineering contracting business in the first half of 2018

Unit: RMB'000

	The first half of 2018	% of the total	The first half of 2017	Year-on-year increase/decrease
Segment operating revenue	111,238,227	85.65%	86,848,395	28.08%
Gross margin (%)	9.63	-	10.91	Decreased by 1.28 percentage points

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-lifecycle 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 has a profound understanding on the importance of intelligent manufacturing to the development of iron and steel industry in the future, actively collaborates with domestic leading companies in iron and steel industry, is committed to creating the intelligent iron and steel demonstration plants of MCC Brand, and leads the way for intelligent development of iron and steel in China. The Company proactively creates green iron and steel, and is dedicated to improving the core technologies of green, recycling and low-carbon to further speed up the research and development of green technologies, such as “New Generation of Green and Intelligent Blast Furnace Technology”, “Large-scale Belt Pallet Furnace Technology” and “Green and High Efficient Coking Technology”, and establishes new international technology standards and design and construction standards.

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 national team for metallurgical construction. During the Reporting Period, No. 2 blast furnace at Formosa Ha Tinh Steel Plant was smoothly put into operation, technology indicators of which have reached the world’s most advanced level of the same type of furnace. Kuantan project in Malaysia is in a trial stage, experiencing the speed in China and MCC mentioned in “the Belt and Road”. It created a new record of large-scale iron and steel construction project with the shortest overseas construction period and the highest management efficiency.

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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
1	EPC General Contracting Project for Industry Upgrading in HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company to Blast Furnace Area (河鋼產業升級及宣鋼產能轉移高爐區域EPC總承包項目)	34.0	MCC Capital Engineering & Research Incorporation Limited
2	General Contract Project for Engineering Design, Procurement and Construction of Jilin Tianchi Mining (吉林天池礦業工程設計採購施工總承包項目)	13.0	MCC TianGong Group Corporation Limited
3	Construction Project of Steel Production Capacity Replacement (Conversion and Upgrading of New and Old Kinetic Energy of Process Equipment) of Laigang Yongfeng Steel Co., Ltd. in Shangdong Province (山東萊鋼永鋒鋼鐵有限公司煉鋼產能置換方案的建設項目(工藝裝備新舊動能轉換升級改造))	9.8	Shanghai Baoye Group Corp., Ltd.
4	General Contracting Project of Optimization, Upgrading and Transformation of Steelmaking Products of Minmetals Yingkou Medium Plate Co., Ltd. (五礦營口中板有限責任公司煉鋼產品優化升級改造項目總承包項目)	9.2	CISDI Group Co., Ltd.
5	General Contracting Project for Quantum EAF of Fujian Dingsheng Iron and Steel Co., Ltd. (福建鼎盛鋼鐵有限公司量子電爐工程總承包項目)	9.0	WISDRI Engineering & Research Incorporation Limited
6	Steelmaking Building Installation Project for Industrial Upgrading of HBIS Group Co. Ltd and Production Capacity Transfer of HBIS Group Xuansteel Company in Hebei Province (河北河鋼產業升級及宣鋼產能轉移項目煉鋼建築安裝工程)	8.1	Shanghai Baoye Group Corp., Ltd.
7	General Contracting Project for ESP Headless Strip Production Line of Fujian Dingsheng Iron and Steel Co., Ltd. (福建鼎盛鋼鐵有限公司ESP無頭帶鋼生產線工程總承包項目)	7.3	WISDRI Engineering & Research Incorporation Limited
8	Construction Project of Hot Rolling Area for Industrial Upgrading of HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company (河鋼產業升級及宣鋼產能轉移項目熱軋區域建築工程)	6.6	China MCC 20 Group Co., Ltd.
9	Renovation Project of Production Capacity Replacement and Upgrading of Ironmaking System of Shanxi Jinnan Steel Group Co., Ltd. – Jian'an Project (山西省晉南鋼鐵集團有限公司產能置換升級改造煉鐵系統工程-建安項目)	6.4	WISDRI Engineering & Research Incorporation Limited
10	Renovation Project of Production Capacity Replacement and Upgrading of Steelmaking System of Shanxi Jinnan Steel Group Co., Ltd. – Jian'an Project (山西省晉南鋼鐵集團有限公司產能置換升級改造煉鋼系統工程-建安項目)	6.1	WISDRI Engineering & Research Incorporation Limited

(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, large-scale projects and major customers". 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 a number of newly-signed strategic agreements supported by projects, it steadily increased its project reserve and sustainability.

During the Reporting Period, the Company adhered to the road of high-tech and high-quality development, gave full play to the innovative advantages of the integration of scientific research and engineering, and accelerated the transplantation, transformation and continuous innovation of the technological advantages in the metallurgical field into fundamental construction and emerging industries. During the Reporting Period, the Company carried out the first cooperation with Foxconn Technology Group, successfully signed the 10.5th generation TFT-LCD display production line project of Foxconn Guangzhou SAKAI SIO. The project is the largest single industrial plant in the world, fully demonstrating the core competitiveness and branding advantages in the field of high technology industry plants. The Lanzhou Yellow River Bridge project, undertaken for construction by China Second Metallurgical Group Corporation Limited, a subsidiary of the Company, has pioneered in science and technology with cutting-edge technologies, and overcome the technical difficulties of increase in construction, creating the longest span in the domestic flexible steel box girders.

During the Reporting Period, the Company, by closely following the national policy orientation, giving proactive reaction, showing full response and promptly making adjustment to its mindset and methods, continued to implement engineering projects under PPP model and seized the strategic opportunity to strengthen market development, expand its business scale, raise its new contractual amount, and drive its transformation and upgrade. As at the end of the Reporting Period, the Company entered into contracts for a total of 229 PPP projects, involving total investment of RMB473.284 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.

Leveraging on the comprehensive advantages of being the national team for metallurgical construction, the main force for fundamental construction, and the forerunner of the emerging industries, the Company has engaged in development and operation of projects overseas in relation to iron and steel construction, infrastructure and special engineering. Currently, the Company mainly adopts professional contracting, general construction contracting, Engineering, procurement, and construction (EPC) general confronting, EPC+ preliminary planning and subsequent operation, EPC+F as well as other models in its overseas markets. The Company is seeking for playing a leading role in investment and financing through developing major overseas projects in the form of PPP model, appropriate capital investment and introduction of fund partners etc.

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In line with the “Belt and Road” Initiative as the national strategy, the Company puts its focus on the layout and development of countries with undeveloped facilities but favorable market demand and promising future in the iron and steel industry and international production cooperation, including Pakistan, India, Bangladesh, Russia, Vietnam, Myanmar, Cambodia, Indonesia, Malaysia, Singapore, Sri Lanka, Kuwait, Saudi Arabia, Turkey, Egypt, Algeria, Brazil, Venezuela, Australia, etc. As at the end of the Reporting Period, the Company operates 133 overseas engineering institutions across 54 countries and regions worldwide, including 83 overseas institutions across 30 nations and regions along “the Belt and Road” route.

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

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
1	27 Projects including Sichuan Dongshan Avenue Construction Project and Erliao Road Construction Project (四川東山大道建設項目、二里橋路建設項目等27個項目)	58.0	China MCC 5 Group Co., Ltd.
2	General Contracting for PPP Project of Tourism Trunk Highway Construction and Operation during “Thirteenth Five-Year Plan” Period in Xiangxi Autonomous Prefecture, Hunan Province (PPP Project) (湖南省湘西州「十三五」旅遊幹線公路建設運營PPP項目施工總承包項目(PPP項目))	45.7	MCC TianGong Group Corporation Limited
3	Five Highway Projects including Xinjiang Mulabulakedaoban – Kazi – Tula Pasture in Xinjiang (PPP Project)(新疆木那布拉克道班-卡子-吐拉牧場等五個公路項目 (PPP項目))	44.7	China MCC 19 Group Co., Ltd.
4	Projects of Wanzheng Family Phase II, Wanzheng Longmen Garden, Danjiang Dragon City A and B Zones and Wanzheng Grand Mansion in Zhoukou City, Henan Province (河南省周口萬政世家二期項目、萬正龍門苑項目、丹江龍城A區、B區項目、萬正大公館項目)	28.1	China Second Metallurgical Group Corporation Limited
5	Vocational Education Base of University City – Liquor Institute of Sichuan University of Science and Engineering Project (Phase II) in Yibin Lingang Economic and Technological Development Zone in Sichuan Province (四川省宜賓臨港經濟技術開發區大學城職業教育基地-四川理工學院白酒學院項目(二期))	23.1	China MCC 5 Group Co., Ltd.
6	2017 Heat Source Plant Expansion and Heat Supply Project of Liaoning Anshan Heating Supply Co., Ltd. (遼寧省鞍山市供熱有限責任公司2017年熱源廠擴建供熱項目)	23.0	MCC Capital Engineering & Research Incorporation Limited

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No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
7	PPP Project of Road Construction, Renovation and Upgrading in Luqiao Urban Area, Zhejiang Province (PPP Project) (浙江省路橋城區道路建設改造提升PPP項目(PPP項目))	21.6	Shanghai Baoye Group Corp., Ltd.
8	The Changxing Hengsheng Wyndham Grand Plaza Royale Project in Zhejiang Province (浙江省長興恒盛溫德姆至尊豪華酒店項目)	21.2	China Second Metallurgical Group Corporation Limited
9	Project of Land Parcels 39-1 and 39-4 in Startup Area in Binjiang Business Area, Qingshan, Hubei Province (湖北省青山濱江商務區啟動區39-1、39-4地塊項目)	20.0	China First Metallurgical Group Co., Ltd.
10	Investment and Financing Construction Project for Chongqing Xiantao Data Valley Phase III (Section II) (重慶仙桃數據谷三期二標段投融資建設工程)	20.0	China First Metallurgical Group Co., Ltd.
11	Urban Shantytown Renovation and Transformation Housing Project of Chengtou Real Estate Development Co., Ltd. in Xifeng County, Guizhou (貴州息烽縣城投房地產開發有限公司城市棚戶區改造改造房源項目)	20.0	China MCC 17 Group Co., Ltd.
12	Section I of Construction Engineering of Third Ring Road Project (Area A) in Hohhot City (呼和浩特市三環路工程(A區域)施工一標段工程)	20.0	MCC TianGong Group Corporation Limited
13	Aerospace Expert Community Project in Luzhou City, Sichuan Province (四川省瀘州空天專家社區項目)	20.0	China MCC 5 Group Co., Ltd.

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② Emerging Industries

Keenly mastering the direction of future key development of the country, the Company has vigorously carried out the layout in integrated pipeline corridor, sponge city, beautiful countryside and smart city, theme parks, healthcare industry, water environment and assembly-type buildings, and established a group-level technology research institute to actively promote the development of emerging industries. 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. During the Reporting Period, the Company won the bids for a total of 8 integrated pipeline corridor projects with a mileage of 76.6 km and total investment amounted to RMB9.44 billion.

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

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Urban Integrated Subterranean Pipeline Corridor Projects			
1	Phase I Construction Project of Integrated Subterranean Piping System in Xingyi City, Guizhou Province (貴州省興義市地下綜合管廊一期建設施工項目)	28.1	China 22MCC Group Co., Ltd.
2	Construction Project of Integrated Subterranean Piping System of West Extension of North Third Ring Road and Dongfeng Road in Baoding City, Hebei Province (PPP Project) (河北保定市北三環、東風路西延地下綜合管廊建設工程項目(PPP項目))	24.8	MCC TianGong Group Corporation Limited
3	Phase II General Contracting Project for Design, Procurement and Construction of Integrated Piping System in New Aerial Port City, Shenzhen, Guangdong Province (廣東省深圳市空港新城綜合管廊二期項目設計採購施工總承包項目)	24.1	China MCC 20 Group Co., Ltd.
4	Integrated Subterranean Piping System and Simultaneous Construction Engineering PPP Project in North Section of Cuicheng Road, Cuiheng New Area, Zhongshan City, Guangdong Province (PPP Project) (廣東省中山翠亨新區翠城道北段地下綜合管廊及同步建設工程PPP項目(PPP項目))	23.2	China MCC 19 Group Co., Ltd.
5	Engineering Project of Integrated Subterranean Piping System in Yantan Area, Lanzhou, Gansu Province (PPP Project) (甘肅省蘭州市雁灘片區地下綜合管廊工程項目(PPP項目))	14.0	China MCC 17 Group Co., Ltd.

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No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Theme Park Projects			
1	Indonesia MNC Theme Park Project (印尼MNC主題公園項目)	23.1	Central Research Institute of Building and Construction Co., Ltd.
2	Hengda Children's World Theme Park Construction Project in Kaifeng, Henan (河南開封恒大童世界主題樂園建設工程)	20.0	Shanghai Baoye Group Corp., Ltd.
3	Construction Project (EPC General Contracting) of Ceramic Culture Tourism City Project in Xinping County, Jiangxi Province (江西新平陶瓷文化旅遊城項目建設工程(EPC總承包)項目)	9.0	Huatian Engineering & Technology Corporation, MCC
4	Splendid Traditional Culture and Heritage Development and Demonstration Zone in Qufu, Shandong Province (Zoucheng City Core District) (山東曲阜優秀傳統文化傳承發展示範區(鄒城核心區)項目)	6.4	China Second Metallurgical Group Corporation Limited

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No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Water Environment Management Engineering Projects			
1	Flood Prevention and Ecological Restoration Project in Binjiang, Ezhou City, Hubei Province (湖北省鄂州市濱江防洪生態修復項目)	28.7	China First Metallurgical Group Co., Ltd.
2	Environment Comprehensive Renovation Project of Roads and Riverside along the Yangtse River in Fankou District (excluding Flood Control and Ecological Restoration Project of Binjiang River in Ezhou City) and Flood Control and Environmental Comprehensive Renovation Project of Binjiang River (Gucheng Road to Wuzhanggang Road) in Ezhou City, Hubei Province (PPP Project) (湖北鄂州樊口區域沿江路及江灘環境綜合整治工程(不含鄂州市濱江防洪生態修復項目)、濱江防洪及環境綜合整治工程(古城路—五丈港路)項目(PPP項目))	20.0	China First Metallurgical Group Co., Ltd.
3	Restoration Project in Qianhai Bay Area, Shenzhen (Design, Procurement and Construction General Contracting) (深圳前海灣片區正本清源工程(設計採購施工總承包))	10.2	MCC TianGong Group Corporation Limited
4	Project I for Comprehensive Renovation, Development and Utilization of Yongjiang in Guangxi Province (South Coast: Laokou Hub -Tuozhou Bridge; South Coast: Pumiao Bridge – Yongning Hub) (PPP Project) (廣西甕江綜合整治和開發利用工程(南岸：老口樞紐—托洲大橋、南岸：蒲廟大橋—邕寧樞紐) (PPP項目))	6.9	China First Metallurgical Group Co., Ltd.
5	Renovation Project of Urban Sewage Interception and Drainage Pipe Network in Yangjiang City, Guangdong Province (PPP Project) (廣東陽江城區截污及排水管網改造工程項目(PPP項目))	6.9	China First Metallurgical Group Co., Ltd.
6	Engineering Project for Linkage of Waterways and Comprehensive Treatment of Beihai Economic Development Area in Binzhou, Shandong Province (PPP Project) (山東省濱州北海經濟開發區水系貫通及綜合治理工程項目(PPP項目))	5.5	MCC TianGong Group Corporation Limited

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No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Healthcare and Special Town Projects			
1	EPC General Contracting Project of Huanghe Financial Technology Small Town in Hancheng City, Shaanxi Province (陝西省韓城市黃河金融科技小鎮EPC總承包項目)	40.9	MCC Communication Construction Group Co., Ltd.
2	Construction Project for Demonstration Base of China International Elderly Service Industry (Ulanqab) (中國國際養老產業(烏蘭察布)示範基地建設項目)	28.5	China MCC 19 Group Co., Ltd.
3	Phase I Engineering Project of New District Hospital of Central Hospital in Zhoukou City, Henan Province (河南省周口市中心醫院新區醫院一期工程)	10.5	MCC TianGong Group Corporation Limited
Sponge City Projects			
1	Pilot Construction Project of Sponge City in Qingyang City, Gansu Province (PPP Project) (甘肅慶陽市海綿城市試點建設項目(PPP項目))	9.4	MCC TianGong Group Corporation Limited

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(II) Property Development Business

1. Industry Overview

With regard to industry policies, the state has gradually pushed forward the long-standing property mechanism, and introduced a number of real estate control policies from the central to the local to stabilize expectations toward the housing market and ensure the long-term sound development of the property market. In the short to medium term, the government would continue to uphold the policy orientation of “housing for residential use, not for speculation” and stringently implement various control measures nationwide: financial monitoring would be reinforced, the principle of deleveraging would remain unchanged, and the industrial funding situation would be increasingly intense; the introduction of property tax and other long-standing mechanisms would be speeded up, and the reform for a balanced system of housing purchase and renting would be deepened; in the first half of 2018, a climax of control policies were seen in local governments that control policies for the housing market were introduced in around 30 cities, characterized by continued tightening of policies, enlarging scope of control and more streamlined control measures. Specific initiatives included adjustment to the “four limits” policy, regulation of market transactions, adjustment to settlement policy for talents and other various aspects.

With regard to supply and demand, both supply and demand are affected by control policies, resulting in constant decline in inventory level. With regard to property investment, during January to June 2018, the investments in property development increased by 1.2 percentage points to approximately RMB5,550 billion as compared to that of the corresponding period of the previous year, representing a year-on-year nominal increase of 9.7%; The areas of new construction increased by 1.2 percentage points to 958 million square meters as compared to that of the corresponding period of the previous year, representing a year-on-year increase of 11.8%. With regard to sale figures, during January to June 2018, the sales area of commercial housing in China increased to 771 million square meters, representing a year-on-year increase of 3.3%, of which the growth rate decreased by 12.8 percentage points as compared to that of the corresponding period of the previous year. The sales amount of commercial housing in China increased to RMB6,690 billion, representing a year-on-year increase of 13.2%, of which the growth rate decreased by 8.3 percentage points as compared to that of the corresponding period of the previous year. With regard to inventory level, as of the end of June 2018, the area of commercial housing pending for sale stood at 551 million square meters, representing a year-on-year decrease of 14.7%, among which, the area of residential buildings pending for sale was only 274 million square meters, representing a year-on-year decrease of 22.1%.

2. The Operating Results of the Business

The property development business, as one of the primary businesses of MCC for core development, generally has stable income and profits in recent years. Quality of products was constantly enhanced with gradual improvement on brand impact. As the leader and flagship enterprise of MCC's property industry business, MCC Real Estate Group Co., Ltd. (the “MCC Real Estate”), a subsidiary of the Company, has kept track of steady development.

The Company enhanced its capabilities in product research and development, gradually established the product system and product standard of MCC Real Estate, and launched the product line of “Dexian Residence” (“德賢公館”) for high-end residence, the product line of “Aristocratic Family” (“世家”) for mid-end residence, and the product line of “Yun Villa” (“雲墅”) for suburban low-density residence to improve product replication. In terms of commercial real estate, the Company strived to creating the product line of “Heyue” (“和悦”), a special commercial street mainly for leisure, entertainment and spending purposes.

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In order to closely follow the national policy orientation on the property market and adapt to the national control policies for the property market, the Company adjusted its own corporate position for development by gradually shifting from a traditional property development enterprise to a urban integrated operator to give full play to the advantages of being a state-owned enterprise and integrate social resources, whilst integrating various kinds of industries for comprehensive urban development, and focusing on extending urban operation services. At present, the Chengde Xinglong project under vigorous promotion by the Company relies on the abundant local tourism and resort resources, in combination of medical, tourism, sports and fitness as well as other quality services as to create a new town featuring both leisure travelling and living.

Adhered to the orientation on market demand, MCC Real Estate will regard creation and innovation as driving forces, with an aim to achieving "quality real estate" and "responsible real estate", give impetus to improving quality and efficiency, spare no efforts in promoting reform and innovation, perform the responsibility for preservation and value-addition of state-owned assets and corporate social responsibility, and strive to achieving breakthrough in corporate development from a property developer to an urban developer and operator.

During the Reporting Period, the amount invested in property development by the Company was RMB12.764 billion, representing a year-on-year increase of 53.84%, with construction area of 10.7817 million square meters, representing a year-on-year increase of 10.40%; among which, new construction area accounted for 1.888 million square meters, representing a year-on-year increase of 120.26%; completed area accounted for 0.9022 million square meters, representing a year-on-year increase of 71.59%; contract sales area accounted for 0.4023 million square meters, with contract sales amount of RMB5.096 billion.

The overall operating results of the property development business in the first half of 2018

Unit: RMB'000

	First half of 2018	% of the total	First half of 2017	Year-on-year increase/decrease
Segment operating revenue	10,487,722	8.08%	10,144,056	3.39%
Gross margin (%)	29.52	-	24.53	Increased by 4.99 percentage points

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

The progress of the Company's major property development projects is 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 "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 square meters, 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. At present, the major, internal and external structure of this project were under construction and renovation. The initial sale was launched on 23 June 2018 with good sales.

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- (2) Zhuhai Headquarter Building Phase II Project. In December 2010, Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. won through bidding the state-owned land use right for the parcel of project at approximately RMB800 million in cash. In 2015, MCC Real Estate acquired 31% equity interest in the project company through equity transfer, and is responsible for the later-stage development of the project. The project is located at Hengqin port in Hengqin Free Trade Area in Zhuhai City, which has superior geographical position being on the other side of the river from Macao. The project is planned to be a commercial and office complex, which is designed by Mr. Keith Griffiths, the founder partner of the world-renowned architecture practices Aedas. Taking “double dragons in pursuit of a pearl” as the design concept, the project is built to be a future landmark building in Hengqin and even Southern China. The pile foundation of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2019.

(III) Equipment Manufacture Business

1. Industry Overview

Given the slowdown in the growth of global economy, the over-capacity of domestic steel and iron market, the substantial divestment in the iron and steel industry and other related factors, the domestic metallurgical equipment manufacture industry recorded a weakened growth and was experiencing intensified market competition, and traditional manufacturers in domestic metallurgical equipment market were exposed to higher operational risks. Enterprises were still facing soaring operating costs, significant pressure on turnover of capital and less effective sales channels. To promote transformation and upgrade in the metallurgical equipment manufacture industry, the government subsequently rolled out “Made in China 2025” (《中國製造2025》) and “the Belt and Road” Initiative, which propel cooperation in global capacity and equipment manufacture and facilitate improved quality, better returns and industrial upgrading. Looking forward, with the support of national policies and market demand, the traditional equipment manufacture industry in China will usher in significant opportunities for development.

In terms of steel structure business, the business market mainly makes up of metallurgy, electricity, road and bridge, marine engineering, housing construction, coliseums, transportation hubs and other segments. As the steel structure is eco-friendly, environment-friendly, low-carbon and able to reduce the over-capacity of steel and iron and possesses various other advantages, the government promulgated the “Guidance Opinion on Promoting Prefabricated Construction” (《關於大力發展裝配式建築的指導意見》), “Thirteenth Five-Year Plan for the Construction Industry” (《建築業十三五規劃》) and other relevant policy documents successively with an aim to speed up the development of the technology of prefabrication and strengthen the promotion and application of construction steelworks. With the strong support of national top-level design and favorable policies, the steel structure industry in China will enjoy an immense space for development.

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 the first half of 2018

Unit: RMB'000

	First half of 2018	% of the total	First half of 2017	Year-on-year increase/decrease
Segment operating revenue	3,262,958	2.51%	2,530,369	28.95%
Gross margin (%)	11.27	-	11.08	Increased by 0.19 percentage point

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

Affected by the overcapacity in the domestic steel industry, the Company optimizes the allocation of business resources of equipment manufacturing. It will gradually withdraw from inefficient business with poor market prospects and low technical content, and enhance part of the existing equipment manufacturing capability which can be transformed for the support of core technologies while having sound market prospect. During the Reporting Period, the overall profitability of the Company's equipment manufacturing segment was positive.

The Company will further strengthen its management and control efforts, continuously optimize the steel structure business and resource allocation of the Company, and give full play to the production capacity of the steel structure manufacturing business of the Company. With regional integration as a breakthrough, the Company will gradually promote the trial integration of steel structure regional resources, and continuously create the strengths in the integrated industry chain involving the research and development, design, manufacturing, installation, testing and maintenance of steel structure of the Company.

(IV) Resource Development Business

1. Industry Overview

In the first half of 2018, the global economy continued to rebound steadily and showed a good situation in which various countries' economies grew in the same pace. Demand for raw materials in the market was also rising. International prices of major metal products continued to rise in fluctuation, while average prices of copper, zinc and nickel in the first half of the year increased as compared to the second half of the previous year.

Report of Directors

In the first half of 2018, average nickel price on LME increased by around 25% to US\$13,880/tonne as compared to the average price in the second half of the previous year. According to market estimates, average nickel price on LME in the second half of 2018 would decrease to around 6% to US\$13,100/tonne as compared to the average price in the first half of the year. The average copper price on LME increased by around 5% to US\$6,961/tonne as compared to the average price in the second half of the previous year. According to market estimates, average copper price on LME in the second half of 2018 would be US\$7,006/tonne, slightly higher than the average price in the first half of the year; average lead price on LME was US\$2,454/tonne, basically flat as compared to the average price in the second half of the previous year. According to market estimates, average lead price on LME in the second half of 2018 would decrease by around 2% to US\$2,400/tonne as compared to the average price in the first half of the year; Average zinc price on LME increased by around 6% to US\$3,263/tonne as compared to the average price of the second half of the previous year. According to market estimates, average zinc price on LME in the second half of 2018 would decrease to around 4% to US\$3,125/tonne as compared to the average price in the first half of the year.

2. The Operating Results of the Business

During the Reporting Period, adhered to the principle of “one policy for one mine, different policies according to characteristics of each category”, the mining business sector of the Company grasped the right rising cycle of the mining industry. Each of the manufacturing enterprises “bits the bullet and overcomes obstacles and difficulties”, and basically achieved the goal of “full production and complete sales, without pressure on inventory” for nickel, cobalt, copper, lead, zinc and other metal varieties. The mining sector has also thoroughly turned losses into profits.

The overall operating results of the resource development business in the first half of 2018

Unit: RMB'000

	First half of 2018	% of the total	First half of 2017	Year-on-year increase/decrease
Segment operating revenue	3,213,019	2.47%	2,506,503	28.19%
Gross margin (%)	36.98	-	28.60	Increased by 8.38 percentage points

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

The progress of the Company's major mine resources projects under production is as follows:

(1) Ramu Nico Project

Following the entry into the phase of stable and high-yield production last year, the Ramu Project continued to insist on the principle of “high efficiency, fine quality, low consumption and compliance” for production and operation, strengthen safety and operation management, spared no effort and adopted every possible means to maintain stability of systems and constantly optimized a number of technical conditions and parameters of techniques to improve the level of equipment management and promote technological transformation, resulting in remarkable results in production performance. In the first half of 2018, the project produced nickel hydroxide, which contained 17,368 tonnes of nickel and 1,644 tonnes of cobalt, in aggregate, with an average production rate reaching 106.6%, representing an increase of 2.7 percentage points as compared to the corresponding period of the previous year. The accumulated operating revenue in the first half of the year increased by 75.3% to RMB1,722.75 million as compared to the corresponding period of the previous year.

Large scale repair work for 2 series of high pressure acid leaching was completed in the first half of 2018, laying a foundation extremely favorable for accomplishing the annual production targets. Preparation and argumentation of feasibility study were completed in relation to production expansion of Ramu, and exploration in related regions were currently undergoing to conduct verification and upgrade of resources.

(2) *Pakistan Saindak Copper-Gold Mine Project*

On 26 October 2017, under the witness of the Prime Minister of Pakistan, the Leasing Contract of Pakistan Saindak Copper-Gold Mine Project was signed, pursuant to which Saindak Project will enter the third lease term after successful extension of this lease term, with the term of operating lease being valid until 31 October 2022.

Saindak commenced normal production in the first half of 2018, and various indicators met the planned targets. With an increase in the amount of ore mining and an improvement in recovery rate of ore selection, the production volume of concentrate ore exceeded the planned targets. The overburden removal of north and slope expansion of south were both progressing in an orderly manner.

In the first half of 2018, the cumulative production of crude copper and sale of crude copper of the project were 6,656 tonnes and 5,409 tonnes respectively, and the cumulative operating revenue in the first half of the year amounted to US\$54.68 million, representing a decrease of 7.88% as compared to the corresponding period of the previous year.

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

Duddar Lead-Zinc Mine Project in the first half of 2018 cumulatively produced 2,750 tonnes of lead concentrate ore and 19,963 tonnes of zinc concentrate ore, and cumulatively sold 2,596 tonnes of lead concentrate ore and 19,087 tonnes of zinc concentrate ore, and the cumulative operating revenue amounted to US\$28.34 million, representing an increase of 38.8% as compared to the corresponding period of the previous year. Income performance in January to June 2018 was ahead of the annual estimated schedule, with effective control of management fees and relatively satisfactory performance and outcome of cash flow.

Resumption of the lower system construction for Duddar Lead-Zinc Mine was accelerated, striving to reaching the production goal for 2020.

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

Applicable Not Applicable

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.

Business Discussion and Analysis

I. MAJOR BUSINESS DURING THE REPORTING PERIOD

During the Reporting Period, the Company realized operating revenue of RMB126,112,573 thousand with a year-on-year growth of 24.76%, total profit of RMB4,663,648 thousand with a year-on-year growth of 17.35%, and net profit attributable to the Shareholders of the listed company of RMB2,907,197 thousand with a year-on-year growth of 8.69%.

(I) Analysis on major operating business

1. Analysis on the changes in the relevant items in financial statement

Unit: RMB'000

Item	Amount for the current period	Amount for the same period of the previous year	Change in proportion (%)
Operating revenue	126,112,573	101,085,487	24.76
Operating costs	110,641,099	87,960,653	25.78
Selling expenses	830,485	839,359	-1.06
Administrative expenses	3,826,959	3,473,706	10.17
Financial expenses	1,472,739	1,596,597	-7.76
Net cash flows from operating activities	-8,106,592	-14,199,872	N/A
Net cash flows from investing activities	-6,359,825	-3,874,876	N/A
Net cash flows from financing activities	16,732,486	14,877,788	12.47
Research and development expenses	2,384,020	2,086,866	14.24

Explanation of change in operating revenue: Increase in operating revenue was due to active expansion in the market by the Company.

Explanation of change in operating costs: Increased correspondingly along with the increase in operating revenue and, at the same time, impacted by the increase in costs including raw materials in the market and salaries.

Explanation of change in selling expenses: Mainly due to decrease in advertising and sale service fees.

Explanation of change in administrative expenses: Mainly due to expansion of business scale and market impacts, leading to increase in salaries and other fees.

Explanation of change in financial expenses: Mainly due to increase in interest income.

Explanation of change in net cash flows from operating activities: Mainly due to increase in cash received from sales of commodities and provision of labour service.

Explanation of change in net cash flows from investing activities: Mainly due to increase in cash outflow from the payment of investment activities.

Explanation of change in net cash flows from financing activities: Mainly due to increase in inflow from receipt in borrowings and equity interest financing.

Explanation of change in research and development expenses: Mainly due to increase in investment in research and development by the Company, leading to increase in research and development expenses.

Business Discussion and Analysis

2. Analysis on revenue and costs

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

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

1) Trend of macro-economy internationally and domestically

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

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

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

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for the first half of 2018.

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.

Business Discussion and Analysis

4) Overseas tax policies and their changes

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

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

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

7) Operation of subsidiaries and key projects

The 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, large-scale projects and major customers", through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity, design and operation and achieve 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.

Business Discussion and Analysis

9) Uneven distribution of revenue

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

(2) Major business by segment and region

1) Information of major by segment

Unit: RMB'000

Segment	Operating revenue	Operating costs	Information of major business by segment			Increase or decrease in the gross margin as compared to that of previous period
			Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of previous period (%)	Increase or decrease in the operating costs as compared to that of previous period (%)	
Engineering contracting	111,238,227	100,528,921	9.63	28.08	29.93	Decreased by 1.28 percentage points
Property development	10,487,722	7,392,194	29.52	3.39	-3.45	Increased by 4.99 percentage points
Equipment manufacture	3,262,958	2,895,060	11.27	28.95	28.67	Increased by 0.19 percentage point
Resource development	3,213,019	2,024,821	36.98	28.19	13.15	Increased by 8.38 percentage points

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

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 first half of 2018 and 2017 were 9.63% and 10.91%, respectively, with a year-on-year decrease of 1.28 percentage points. The decrease was mainly due to the competition environment of the market and the increase in materials and labour costs.

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	In the first half of 2018		In the first half of 2017		In the first half of 2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	26,233,380	23.58	21,156,717	24.36	24,342,464	29.81
Housing construction engineering	43,267,674	38.90	42,046,646	48.41	37,217,254	45.57
Transportation infrastructure	27,745,846	24.94	20,103,977	23.15	9,705,044	11.88

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

② Property development business

As at the first half of 2018 and 2017, the total gross profit margins of the Company's property development business were 29.52% and 24.53% respectively, with a year-on-year increase of 4.99 percentage points.

③ Equipment manufacture business

The Company's equipment manufacture business mainly included metallurgical equipment, steel structures and other metal products. As at the first half of 2018 and 2017, the gross profit margin of the Company's equipment manufacture business were 11.27% and 11.08%, respectively, representing an increase of 0.19 percentage points as compared with the same period last year.

④ Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶集團銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司), among others, 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. As at the first half of 2018 and 2017, the gross profit margin of the Company's resource development business were 36.98% and 28.60%, respectively, representing an increase of 8.38 percentage points as compared with the same period last year.

2) Explanation on Major Business by Region

For details, please refer to the Note XV.I to "Financial Report" of this report.

Business Discussion and Analysis

(3) Table of analysis on costs

Unit: RMB'000

Segment	Costs component	Situation by segment				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 (%)
		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 (%)		
Engineering contracting	operating costs	100,528,921	87.94	77,369,756	86.20	29.93	
Property development	operating costs	7,392,194	6.47	7,655,959	8.53	-3.45	
Equipment manufacture	operating costs	2,895,060	2.53	2,250,011	2.51	28.67	
Resource development	operating costs	2,024,821	1.77	1,789,573	1.99	13.15	

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

Description of other results in the analysis on costs

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

Unit: RMB'000

Items of costs	In the first half of 2018		In the first half of 2017		In the first half of 2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	48,729,406	48.47	43,946,764	56.80	39,126,201	53.60
Materials expenses	34,485,560	34.30	21,569,632	27.88	18,597,938	25.48
Labour costs	7,126,202	7.09	4,837,489	6.25	3,995,027	5.47
Machinery usage fees	1,908,568	1.90	1,255,193	1.62	1,168,867	1.60
Others	8,279,185	8.24	5,760,678	7.45	10,115,015	13.85
Total engineering costs	100,528,921	100.00	77,369,756	100.00	73,003,048	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 subcontracting expenses decreases while the proportion of materials expenses increases. The proportion of each component of cost to operating costs is relatively stable.

Business Discussion and Analysis

(4) Information of major customers and major suppliers

The sales of top five major customers amounted to RMB7,861,305 thousand, accounting for 6.23% of the total sales of the Reporting Period. 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	3,229,874	2.56
Unit 2	1,405,890	1.11
Unit 3	1,125,528	0.89
Unit 4	1,052,797	0.84
Unit 5	1,047,216	0.83
Total	7,861,305	6.23

The procurement of top five major suppliers amounted to RMB3,256,938 thousand, accounting for 2.94% of the total procurement of the Reporting Period; in particular, the procurement from related parties under the procurement of top five major suppliers amounted to RMB1,242,512 thousand, accounting for 1.12% of total procurement of the Reporting Period.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Group (%)
Supplier 1	1,242,512	1.12
Supplier 2	1,043,740	0.94
Supplier 3	372,145	0.34
Supplier 4	311,366	0.28
Supplier 5	287,175	0.26
Total	3,256,938	2.94

3. Expenses

(1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In the first half of 2018 and 2017, the Company's selling expenses were RMB830,485 thousand and RMB839,359 thousand respectively, representing a year-on-year decrease of 1.06%.

Business Discussion and Analysis

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses and office expenses. In the first half of 2018 and 2017, the Company's administrative expenses were RMB3,826,959 thousand and RMB3,473,706 thousand respectively, representing a year-on-year increase of 10.17%.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In the first half of 2018 and 2017, the Company's financial expenses were RMB1,472,739 thousand and RMB1,596,597 thousand respectively, representing a year-on-year decrease of 7.76%.

4. Research and development expenditure

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

Unit: RMB'000

Research and development expenditure for the current period	2,384,020
Total research and development expenditure	2,384,020
Proportion of total research and development expenditure to operating income (%)	1.89

5. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	January to June 2018	January to June 2017
Net cash flows from operating activities	-8,106,592	-14,199,872
Net cash flows from investing activities	-6,359,825	-3,874,876
Net cash flows from financing activities	16,732,486	14,877,788

(1) Operating activities

In the first half of 2018 and 2017, the Company's net cash flows generated from operating activities amounted to RMB-8,106,592 thousand and RMB-14,199,872 thousand respectively. In the first half of 2018 and 2017, the cash inflow generated from operating activities mainly came from the cash receipts from the sale of goods and the rendering of service, accounting for 98.57% and 98.65% respectively with respect to the cash inflow generated from operating activities.

Business Discussion and Analysis

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 the first half of 2018 and 2017, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 81.79%, 6.74%, 4.62% and 81.81%, 6.53%, 5.04% respectively.

(2) *Investing activities*

In the first half of 2018 and 2017, the Company's net cash flows generated from investing activities amounted to RMB-6,359,825 thousand and RMB-3,874,876 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. 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 the first half of 2018 and 2017, such cash outflow accounted for 35.28%, 57.41% and 44.51%, 53.30% respectively with respect to the cash outflow generated from investing activities.

(3) *Financing activities*

In the first half of 2018 and 2017, the Company's net cash flows generated from financing activities amounted to RMB16,732,486 thousand and RMB14,877,788 thousand respectively. A large amount of net cash inflow from financing activities was mainly due to the higher amount of cash received from borrowings than that of cash paid for debt repayment for the Reporting Period.

The Company's cash inflow from financing activities mainly consisted of cash receipts from borrowings which accounted for 95.46% and 85.98% respectively of the cash inflow generated from financing activities for the first half of 2018 and 2017. 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 92.38% and 6.38%, and 92.73% and 6.90% respectively of the cash outflow from financing activities for the first half of 2018 and 2017.

Business Discussion and Analysis

6. Others

(1) Detailed explanation of major changes in the structure or sources of Company's profits

Applicable Not Applicable

(2) Others

Applicable Not Applicable

(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 (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period with respect to the total assets (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)
Current Assets:	347,011,281	78.65	322,328,945	77.75	7.66
Cash and bank Balances	46,424,094	10.52	43,593,622	10.52	6.49
Bills receivable and accounts receivable	91,795,001	20.80	94,253,008	22.74	-2.61
Other receivables	51,196,045	11.60	41,399,402	9.99	23.66
Inventories	59,857,929	13.57	118,292,878	28.53	N/A
Contract assets	70,030,710	15.87	-	-	N/A
Non-current Assets:	94,225,022	21.35	92,236,229	22.25	2.16
Intangible assets	15,021,152	3.40	15,419,183	3.72	-2.58
Total Assets	441,236,303	100.00	414,565,174	100.00	6.43
Current Liabilities:	303,021,197	89.22	280,135,184	88.30	8.17
Short-term borrowings	54,142,869	15.94	39,425,855	12.43	37.33
Bills payable and accounts payable	138,440,148	40.76	139,831,143	44.08	-0.99
Receipts in advance	78,024	0.02	43,861,424	13.83	N/A
Contract liabilities	49,182,428	14.48	-	-	N/A
Non-current Liabilities:	36,611,720	10.78	37,109,509	11.70	-1.34
Long-term borrowings	21,524,176	6.34	23,470,743	7.40	-8.29
Total Liabilities	339,632,917	100.00	317,244,693	100.00	7.06

Business Discussion and Analysis

(1) *Analysis on the structure of assets*

Cash and bank balances

As at 30 June 2018 and 31 December 2017, the balances of cash and bank balances of the Company were RMB46,424,094 thousand and RMB43,593,622 thousand, respectively, representing a year-on-year increase of 6.49%, which was mainly attributable to an increase in bank deposits.

As at 30 June 2018 and 31 December 2017, the restricted cash and bank balances of the Company were RMB7,656,158 thousand and RMB7,129,488 thousand respectively, which accounted for 16.49% and 16.35% 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, frozen deposits, etc.

Bills receivable and accounts receivable

As at 30 June 2018 and 31 December 2017, the Company's net bills receivable and accounts receivable were RMB91,795,001 thousand and RMB94,253,008 thousand respectively, representing a decrease of 2.61%. The Company always places great emphasis on the safety and completeness of bills receivable and 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 items with potential risks in collectability, but the efforts put to collect the bills receivable and accounts receivables will not be affected.

Other receivables

As at 30 June 2018 and 31 December 2017, the Company's net amount of other receivables were RMB51,196,045 thousand and RMB41,399,402 thousand respectively, mainly attributable to an increase in deposits and advance money for various projects by the Company.

Inventories

The inventories of the Company mainly consisted of property costs under development, completed properties held for sale, raw materials, work in process, finished goods, etc. The inventory 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 30 June 2018, the Company's net inventories were RMB59,857,929 thousand. As at 31 December 2017, the Company's net inventories (including inventories in engineering construction work) were RMB118,292,878 thousand.

Contract assets

The contract assets are mainly related to engineering contracting service. As at 30 June 2018, the net contract assets of the Company were RMB70,030,710 thousand.

(2) *Analysis on the structure of liabilities*

Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consisted of credit loans, and pledge loans from commercial banks and other financial organizations. As at 30 June 2018 and 31 December 2017, the carrying amount of the Company's short-term borrowings were RMB54,142,869 thousand and RMB39,425,855 thousand respectively, with a year-on-year increase of 37.33%. As at 30 June 2018 and 31 December 2017, the carrying amount of the Company's long-term borrowings were RMB21,524,176 thousand and RMB23,470,743 thousand respectively, with a year-on-year decrease of 8.29%.

Business Discussion and Analysis

Bills payable and accounts payable

Bills payable and accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors by the Company. As at 30 June 2018 and 31 December 2017, the Company's carrying value of bills payable and accounts payable were RMB138,440,148 thousand and RMB139,831,143 thousand respectively, accounting for 40.76% and 44.08% respectively with respect to total liabilities, and representing a year-on-year decrease of 0.99%.

Contract liabilities

The contract liabilities mainly included engineering contracting service contracts, sales contracts and related contract liabilities. As at 30 June 2018, the carrying amount of the Company's contract liabilities was RMB49,182,428 thousand.

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

For details, please refer to Note VII 62 to "Financial Report" in this report.

(IV) Analysis on the operational information in the construction industry

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

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	1,220	387	1,786	492	3,885
Total amount	3,016,255	3,033,841	8,556,644	833,765	15,440,505

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	3,835	50	3,885
Total amount	14,958,039	482,466	15,440,505

Business Discussion and Analysis

2. *Projects under construction during the Reporting Period*

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	3,577	3,359	3,567	1,756	12,259
Total amount	41,083,997	26,172,744	18,066,809	13,545,583	98,869,133

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	11,327	932	12,259
Total amount	89,800,598	9,068,535	98,869,133

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	707	7,712,678
Africa	123	680,532
South America	57	575,648
Europe	60	359,179
Oceania	33	277,601
North America	15	22,897
Total	995	9,628,535

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

Business Discussion and Analysis

5. Summary of contract assets

Unit: RMB'000

Project	Accumulated costs incurred	Accumulated recognized gross profit	Estimated loss	Accumulated settlements	Balance of contract assets
Amount	806,649,324	62,979,206	1,803,490	797,794,330	70,030,710

6. 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 RMB127.142 billion, representing a year-on-year increase of 19.73% 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 RMB105.962 billion and RMB21.180 billion, 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 RMB75.981 billion and RMB29.981 billion, respectively.

In May 2018, the Company issued off-shore perpetual bonds in the amount of US\$500 million. It was the first time that MCC issued off-shore perpetual bonds as the bond guarantor. For other details in relation to the public issuance of bonds on the Shanghai Stock Exchange, please refer to "Corporate Bonds" in the report.

(2) Equity Financing During the Reporting Period

There was no new equity financing during the Reporting Period.

7. Investment in 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.

During the Reporting Period, the Company made an actual contribution of RMB81.928 million to Yingtan MCC-CIF Industrial Development Partnership (LP) for the investment in the PPP project of construction of the infrastructure facilities and supporting engineering in Leshan National Hi-tech Industrial Development Zone.

Business Discussion and Analysis

8. **Establishment of MCC-CCB Jinxiu Investment Management Partnership (LP)**

On 29 March 2018, the Board of MCC resolved to approve the resolution in respect of the proposed establishment of MCC-CCB Jinxiu Investment Management Partnership (LP) entered into among MCC Real Estate Group Co., Ltd., MCC International Investment Development Co., Ltd. and CCB Trust Co., Ltd. As of 30 June 2018, the Partnership was yet to be established, and the cooperation matters are still in progress.

(V) **Investment analysis**

1. **Overall analysis on external equity investments**

As at 30 June 2018 and 31 December 2017, the net long-term equity investments of the Company were RMB11,001,841 thousand and RMB8,916,066 thousand respectively, representing a year-on-year increase of 23.39%, which was mainly due to the increase in external equity investments by the Company.

(1) *Substantial equity investments*

Applicable Not Applicable

(2) *Substantial non-equity investments*

Applicable Not Applicable

(3) *Financial assets measured at fair value*

For details, please refer to Note VII 2, 12 and 13 to "Financial Report" in this report.

2. **Entrusted wealth management and investment in derivatives by non-financial companies**

Applicable Not Applicable

(VI) **Sales of substantial assets and equity interest**

Applicable Not Applicable

(VII) **Analysis of major controlled companies and investees**

Applicable Not Applicable

(VIII) **Structured entities under the control of the Company**

Applicable Not Applicable

II. OTHER DISCLOSURE

(I) **Warning and description of a forecast recording a loss-making aggregate net profit from the beginning of the year to the end of next Reporting Period or recording a substantial year-on-year change**

Applicable Not Applicable

(II) **Possible Risks**

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, and 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. In particular, the emergence of trade protectionism may hinder the progress of recovery of the world economy. 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.

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 "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.

Business Discussion and Analysis

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, and 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, large-scale projects and major customers”. 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, and has achieved remarkable success.

4. ***Risks associated with the property development business segment***

The central government clearly stated its tightening regulation and control to property development by urging multiple cities to implement their core responsibilities and through intensive introduction of policies, such as property regulation and control policy, to continuously and actively suppress irrational demands, and focus on the expansion and implementation of “effective supply”. However, it took time for the interaction between the short-term demand-side regulation and control and the medium- and long-term supply-side reform to be effective. Therefore, the supply and demand in the market was still relatively intense. The transaction volume of new houses by area in key cities continued to shrink, with the first-tier cities leading the decline, and the transaction volume of new houses by area in third-tier and fourth-tier cities has also declined, but the absolute scale was still at a historically relatively high level. The ready-for-sale area of commercial houses continued to represent slight decline, but the structural risk of commercial property inventory still remained.

The year-on-year growth rate of land acquisition area fluctuated at a low level, and the transaction volume accounted for a large proportion in third-tier and fourth-tier cities. Second-tier, third-tier and fourth-tier cities have become hotspots for land acquisition of enterprises, and the transactions of high-prices lands have gradually shifted to second-tier, third-tier and fourth-tier cities as far as the transactions of high-prices lands in the first half of the year are concerned. Property enterprises are more cautious in acquiring lands in first-tier cities, causing relatively low growth rate of land transaction in first-tier cities.

Business Discussion and Analysis

In 2018, there may be no new changes in the regulation and control policies, while the restrictions on purchase, loans, price and sales will be implemented in more cities, which indicates that the “four restrictions” policy is not for temporary implementation, and is expected to remain in force for a longer period of time. The growth of the property industry will slow down in 2018 as compared to that in 2017, leading to the great possibility that the national transaction volume will decline from a high level. In third-tier and fourth-tier cities, demands will be weak and the overall inventory will remain at a high level, indicating a dim prospect for the property industry.

In order to keep up with the national guiding policies on the property market, and adapt to the national policies on regulating and controlling the property market, the Company has adjusted its positioning for development, conducted integrated urban development in combination of various industries, and has been committed to expanding urban operation services.

In terms of land expansion, while paying close attention to and participating in the open land transfer markets in first-tier and second-tier cities, the Company has, in active response to the national guidance to the construction of the “industrial small town”, expanded supporting resources in terms of education, medical care, business service, tourism, production and manufacturing, conducted cooperation with local governments in the form of “resources + properties” to jointly construct a new multi-functional industrial town that integrates industry, residence, leisure and entertainment.

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, the global monetary policy is difficult to ease. A moderate and neutral monetary policy is maintained in the domestic market, with continuous deepening of the reform of the financial system and tightening financial supervision and management. Affected by the Sino-U.S. trade frictions, world economic trend, domestic and overseas monetary policies, etc., it becomes more difficult to predict the trend of exchange rate.

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.

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.

Business Discussion and Analysis

7. Risks associated with international operations

The operating businesses of the Company in various countries and areas are subject to local factors such as changes in political situation, changes in state-to-state relations, economic environment, adjustments to policies, changes in regulations, cultural and religious conflicts and changes in local employment requirements, which may have certain risks to overseas business operations 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 profit expectations of the overseas business of the Company.

The Company will conduct in-depth study on and pay attention to the changes in policies, regulations and political and economic environment of the places where the projects are based and build a good cooperative relationship with local governments, property owners, consultation companies, the public and other partners; accelerate the localization process to improve the localization capability as a significant means to resist internationalization risks; consistently insist on assessment and risk examination of contracts on major overseas construction projects before tendering/signing and implementing a classified risk management mechanism during the process, strictly safeguard the bottom line of contractual risks, abide by external contract terms, and protect the Company's rights and interests with stringent contract provisions to reduce the international operating risks.

8. Environmental and social risks

Following the increasingly strict requirements for environmental protection management and increase in intensity of pollution control, the government requires that enterprises shall attach great importance to ecological civilization and environmental protection. The subsidiaries of MCC are engaged in businesses including resource development, equipment manufacture, engineering and contracting as well as property development. Numerous subsidiaries and respective projects result in higher standard of requirements on environmental protection management for the enterprises. The Company actively puts into practice of the green development ideology that "Lucid Waters and Lush Mountains are Invaluable Assets", persists on the relevant national laws and regulations of energy conservation and environmental protection, implements accountability system on enterprise bodies, continuously improves the energy conservation and environmental protection system, enhances daily supervision, and proactively initiates environmental pollution control. Enterprises under the construction category, shall carry out in-depth environmental friendly construction, and push forward energy, land, water and resources conservation as well as environmental protection in full efforts; Enterprises under the production category shall increase the utilization rate of the resources, reduce the emission of pollutants through technology innovation so as to enhance clean production.

9. Risks associated with data fraud or theft

During the Reporting Period, there were no data fraud and theft cases of MCC.

In order to guard state secrets and protect commercial secrets, MCC has set up a relatively comprehensive confidentiality system, including "Administrative Requirements on Guarding State Secrets" (《保守國家秘密管理規定》), "Administrative Measures on Commercial Secrets" (《商業秘密管理辦法》), "Rules for Management and Implementation of Personnel Involved in Secrets of MCC Headquarters" (《中國中冶總部涉密人員管理實施細則》), "Rules for Implementation of Exchange in Confidential Information of MCC" (《中國中冶機要交換工作實施細則》) and "Rules for Management and Implementation of Meetings Involving Confidential Information of MCC Headquarters" (《中國中冶總部涉密會議保密管理實施細則》).

Business Discussion and Analysis

The Company adopts various promotional and educational measures annually in order to raise awareness of information confidentiality of the employees, and urge the employees to be alert. The Company randomly assesses the information confidentiality of its subsidiaries every year, conducts interviews with members from information confidentiality committee of all subsidiaries, investigates and reviews relevant system and recorded documents, retrieves previous confidential documents and on-site investigation to conduct investigation on the employment of personnel in all units, establishment of information confidentiality system, secret classification management, information system management and other aspects, as well as requires the units under investigation to submit rectification reports within a time limit.

10. Cyber risk and security

Following the in-depth application of "Internet Plus" in informatization domain, network topology of enterprises becomes increasingly complicated. The number of information system is surging, resulting in higher possibility of internet disruptions and system breakdown; the Company endeavors to expand overseas markets for enhancement in international influence. At the same time, the risk from cyberattacks to the information system has been increased. The occurrence of the risk events may cause adverse impacts on the production and operating activities of the Company.

Pursuant to the requirements by the competent authorities at a higher level, the Company persistently optimizes and improves the information network information system, upgrades the capability of protection and emergency response, forms a professional team for security of network and information system, initiates protection by levels, major security checks and other relevant projects each year to develop a comprehensive safety and protection system. Thus, the Company will make the utmost effort to prevent from risks associated with the internet and avoid the occurrence of security incidents.

Significant Events

I. SUMMARY OF THE GENERAL MEETING

Session 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
2017 annual general meeting	26 June 2018	www.sse.com.cn www.hkexnews.hk	26 June 2018

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.

Description of Shareholders' Meeting

On 26 June 2018, the Company convened the 2017 annual general meeting, where Mr. Zhang Zhaoxiang, Mr. Ren Xiudong, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen, all being Directors of the Company, Mr. Yan Aizhong and Mr. Shao Bo, all being Supervisors of the Company, and Mr. Li Yuzhou, being the secretary to the Board, attended the meeting. Other senior management personnel of the Company attended the meeting. Seven ordinary resolutions were considered and approved at the meeting, including "the Resolution in relation to the Work Report of the Board of MCC for the Year 2017", "the Resolution in relation to the Work Report of the Supervisory Committee of MCC for the Year 2017", "the Resolution in relation to the Report of MCC on Final Accounts for the Year 2017", "the Resolution in relation to Profit Distribution of MCC for the Year 2017", "the Resolution in relation to the Emoluments of Directors and Supervisors of MCC for the Year 2017", "the Resolution in relation to the Guarantee Plan of MCC for the Year 2018", "the Resolution in relation to the Appointment of the Auditor of the Financial Report and Internal Control Auditor of the Company for the Year 2018", three special resolutions were considered and approved at the meeting, including "Resolution in relation to the Grant of General Mandate to the Board of Directors to Issue Shares", "Resolution in relation to the Amendment to the Articles of Association" and "Resolution in relation to the Amendment to the Rules of Procedures for Board Meetings". The "Work Report of Independent Directors for the Year 2017" was heard at the meeting.

II. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

(I) Preliminary proposal for profit distribution or transfer of capital reserve to share capital for the half year

Whether to be distributed or transferred: No

III. 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 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 horizontal competition	MCC Group	MCC Group, the Controlling Shareholder of MCC, undertook to avoid being engaged in or taking part in any business which may compete horizontally with the principal business of MCC.	5 December 2008	No	Yes	-	-
Undertakings in relation to the non-public offering	Others	MCC Group	Special Self-Inspection Report On the Real Estate Business for the Purpose of the 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 MCC acts in violation of laws and regulations, including leaving undisclosed lands unused and land speculating, property hoarding and driving up property prices by price-rigging, which lead to losses of MCC and investors, the undertaking party shall bear the relevant liabilities 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.* (collectively, "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 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	-	-
			During the renewable period of Renewable Corporate Bonds (First Tranche) for 2018 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2018 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.	8 May 2018 to 8 May 2023	Yes	Yes		
			The funds raised from 2017 Renewable Corporate Bonds, 2017 Corporate Bonds and 2018 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, 2017 Corporate Bonds and 2018 Corporate Bonds	No	Yes	-	-

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: RMB

Current Appointment	
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	5 years

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

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

Upon approval at the 2017 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 2018, 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 the year 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 five consecutive years. The signing certified public accountants for the 2018 audited report are Ma Yanmei and Chen Wenlong, who have acted as the signing certified public accountants and have been providing audit services for the Company for five consecutive years.

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

Applicable Not Applicable

Explanation on the “non-standard audit report” issued by the accounting firm

Applicable Not Applicable

Explanation on the “non-standard audit report” issued by the certified public accountant in respect of the financial report contained in the annual report for the previous year

Applicable Not Applicable

Significant Events

V. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable

VI. MATERIAL LITIGATION AND ARBITRATION

The Company has material litigation and arbitration during the Reporting Period The Company does not have material litigation or arbitration during the Reporting Period

VII. THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLERS AND ACQUIRERS OF THE COMPANY

Applicable Not Applicable

VIII. INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLERS DURING THE REPORTING PERIOD

During the Reporting Period, the Company and its Controlling Shareholder, MCC Group, did not have any court ruling that was yet to be executed.

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

(I) Relevant equity 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 essence of 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 employees, sufficiently arouse the initiative and creativity of employees and stimulate the vitality of the enterprise, MCC mobilized its subsidiaries which fulfilled the requirements and had advantages in respect of the requirements concerning pilot employee stock ownership as stipulated by the SASAC to actively participate in such plan, and ultimately MCC proposed CISDI Group Co., Ltd. to be the 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.

Other incentives measures

Applicable Not Applicable

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to daily 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	Reason for the significant difference between transaction price and market price	
									Market price	market price
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase and Sales of Supplies – expenditure	Agreed price	-	2,724,758	6.89%	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Sales of commodities	Purchase and Sales of Supplies – income	Agreed price	-	25,347	0.39%	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Engineering construction services -income	Agreed price	-	1,026,867	1.03%	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Engineering construction services – expenditure	Agreed price	-	148,474	0.33%	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Production maintenance services – income	Agreed price	-	3,301	0.13%	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Management services – income	Agreed price	-	7,708	0.22%	-	-	-

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	Provision of labour services	Management services – expenditure	Agreed price	–	1,672	0.46%	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Metallurgical services – income	Agreed price	–	6,999	0.29%	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenditure	Property financing services – financing charges – finance leasing	Agreed price	–	3,240	22.66%	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenditure	Property financing services – financing charges – credit services	Agreed price	–	11,652	0.7%	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	House leasing – expenditure	Leases	–	20,454	4.86%	–	–	–
MCC Ruimu Amperex Technology Limited	Holding subsidiaries of the parent company	Loans	Financial services connected transactions – daily maximum balance of provision of loan and bill discounting services	Agreed price	–	50,000	100%	–	–	–
Total				/	/	4,030,472	/	/	/	/
Details of return of sold goods in large quantities		N/A								
Description of connected transaction		N/A								

Significant Events

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 constitute related parties under the A Shares Listing Rules, the transactions between the Company and China Minmetals do not, however, 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.

On 29 June 2018, the Company convened the fortieth meeting of the second session of the Board to consider and approve the Resolution on Daily Connected Transactions of Finance Business for 2018 to 2019 and the Entering into Connected Transactions Agreement by Subsidiaries of MCC and MCC Amperex, approving the Financial Services Agreement in relation to the daily connected transactions of financial services for the year 2018 to 2019 entered into by MCC Finance Corporation Ltd.* (hereinafter "MCC Finance Company") and MCC Ruimu Amperex Technology Limited* (hereinafter "MCC Amperex"), approving the Finance Lease Services Agreement in relation to the daily connected transactions of financial services for the year 2018 to 2019 entered into by MCC Financial Leasing Co., Ltd.* (hereinafter "MCC Financial Leasing") and MCC Amperex, and approving the following amount of caps in relation to the daily connected transactions of financial services for the year 2018 to 2019 of the Company and MCC Amperex (For details, please refer to the announcement on continuing connected transactions issued by the Company on 29 June 2018):

Unit: RMB00'000'000

Type of transaction	Financial year	
	2018	2019
Financial services connected transactions		
Daily maximum balance of provision of loan and bill discounting services	8	8
Daily maximum balance of provision of finance leasing services	5	5
Interest and rental annual caps	0.88	0.88

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 the daily connected transactions of MCC Financial Leasing and MCC Finance Company, being subsidiaries of MCC, and China Metallurgical New Energy are normal business, which are in compliance with the business characteristics and development needs of the two subsidiaries of MCC. Relevant connected transactions were developed on the basis of the principles of equality, mutual benefits, integrity and credibility, conducive to the increase in operating income and profits of the Company and in the interests of all shareholders. The transactions would not damage the interests of the Company and non-connected shareholders, especially for minority shareholders, nor would they affect the independence of the Company. As such, the business of the Company would not be reliant on the connected parties for such type of transactions.

On 29 June 2018, MCC Finance Company entered into Financial Service Agreement with MCC Amperex, pursuant to which MCC Finance Company agreed to provide loan and bill discounting services to MCC Amperex for the period up to 31 December 2019. On the same day, MCC Financial Leasing, entered into the Finance Lease Service Agreement with MCC Amperex, pursuant to which MCC Financial Leasing agreed to provide finance lease services to MCC Amperex for the period up to 31 December 2019.

Significant Events

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

Applicable Not Applicable

(III) Material connected transactions in relation to joint investment in external parties

Applicable Not Applicable

(IV) Related creditors' rights and debt transactions

Applicable Not Applicable

(V) Other material connected transactions

Applicable Not Applicable

(VI) Others

Applicable Not Applicable

XI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1 Trusteeship, contracting and leasing

Applicable Not Applicable

2 Guarantees

Unit: RMB

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	0

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees provided to its subsidiaries during the Reporting Period	1,648,877,089.60
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)	17,585,028,186.82

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

Total amount of guarantees (A+B)	17,585,028,186.82
Total amount of guarantees as a percentage of the Company's net assets (%)	21.15
Including:	
Amount of guarantees provided to Shareholders, the de facto controllers and their related parties (C)	0
Debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	16,321,012,738.33
Guarantees with the total amount exceeding 50% of the net assets (E)	0
Total amount of guarantees of the three above items (C+D+E)	16,321,012,738.33
Explanation on the potential joint repaying liability arising from outstanding guarantees	Nil
Explanation on guarantees	Nil

3 Other material contracts

Please refer to "Report of Directors" in this report for details of material contracts signed by the Company during the Reporting Period.

Significant Events

XII. PERFORMANCE OF POVERTY ALLEVIATION BY THE COMPANY

1. Targeted poverty alleviation programs

According to the arrangement of 2018 poverty alleviation programs of the senior department, the actual situation of MCC, and Targeted Poverty Alleviation Work Plan for the year 2018, the Company planned to commence the targeted poverty alleviation work in 2018:

(1) *Carrying out the relevant requirement of the senior department, the Company will optimize and follow up work of respective targeted poverty alleviation.*

(2) *Implementing Direct Subsidized Projects of Targeted Poverty Alleviation*

The Company will continue to implement certain poverty alleviation projects in Yanhe and Dejiang County of Guizhou Province, planning to contribute not less than RMB1.5 million to each county. Implementation methods are same as those projects for the year 2017. Specific plans will be proposed by Xu Yi and Chan Yuk, the temporary cadres, after taking into consideration of the local poverty alleviation and problem-solving comprehensive deployment.

The Company will implement poverty alleviation projects at Dujian Village, Siqu Town, Yanhe County, where the Chief Secretary reports his duties, and will contribute not less than RMB500,000 to the area. Implementation methods are determined with reference to the 2017 targeted poverty alleviation projects subsidized by party membership fees. Specific plans will be proposed by Yang Cong, the officer who serves as a temporary cadre, after taking into consideration of the local poverty alleviation and problem-solving comprehensive deployment.

Taking into account the total of the abovementioned projects, the total contribution to the direct subsidized projects of targeted poverty alleviation for the year of 2018 is not less than RMB3.5 million.

(3) *Paying Visits for Research and Studies*

In mid and late March 2018, a leading group on poverty alleviation works of MCC arranged personnel to Yanhe County and Dejiang County in Guizhou Province to pay visits to and greet the temporary cadres, visit impoverished population, conduct research and studies for poverty alleviation, emphasize the understanding of the demand for dispatching impoverished labour of both counties, conduct preparation work for poverty alleviation of dispatched labour, inspect completed and tested poverty alleviation projects etc., and donated RMB50,000 to Dujiang Village for the improvement of teaching facilities in schools, including desks and chairs.

(4) *Commencing Love Package Donation Activities*

The Company cooperated with China Foundation for Poverty Alleviation to carry out charity package donation activities under the spirit of the Youth Day.

(5) *Implementing "Sending Warmth" Donation Activities*

The Company planned call for its employees to donate winter clothes (quilts), books and toys for poor residents In October 2018.

(6) *Efficiently carrying out the selection of a new batch of temporary cadres*

Upon the expiration of the term of office at the end of 2018 of Xu Yi and Chan Yuk, who were serving their temporary positions of poverty alleviation, the Company carries out the selection of a new batch of temporary cadres in advance, ensuring that new temporary cadres will smoothly replace current temporary cadres at the beginning of 2019.

(7) *Completing other works planned by higher authorities*

Integrated with research and studies, the Company will execute poverty alleviation tasks for foreign labour assigned by four departments, including Ministry of Commerce.

2. Overview of Targeted Poverty Alleviation During the Reporting Period

(1) *Initiation of Research and Studies for Poverty Alleviation*

From 19 to 22 March 2018, a leading group on poverty alleviation works of MCC assigned Mr. Yan Lijun to lead a team to visit and greet the temporary cadres and the chief secretary in Yanhe County and Dejiang County of Guizhou Province. He also discussed research and studies for poverty alleviation with relevant personnel of both counties, and inspected the completed poverty alleviation projects in 2017 and projects planned to be implemented in 2018. Moreover, RMB50,000 was donated to Dujiang Village in Yanhe County, for education purpose, the Primary School of Dujiang Village used a portion of the donation for replacing the desks and chairs in the entire campus.

(2) *Proposed Progression of Poverty Alleviation By the Party Committee*

On 2 April 2018, the standing committee of Party Committee of MCC considered and approved the "Targeted Poverty Alleviation Work Plan for the Year 2018".

On 19 May 2018, poverty alleviation works were once again studied at the meeting of the standing committee of Party Committee of MCC. Methods of payment of 2018 Poverty Alleviation Projects, subsidizing standards of temporary cadres, the selection of the third batch of temporary cadres and other matters were finalized at the meeting.

(3) *Full Implementation of poverty alleviation projects*

In late May 2018, the Company issued a notice to China MCC 5 Group Co., Ltd., China Metallurgical Construction Engineering Group Co., Ltd. and China First Metallurgical Group Co., Ltd., subsidiaries of the Company, requiring the implementation of poverty alleviation projects as scheduled for the year 2018.

Three temporary cadres, i.e. Chan Yu, Xu Yi and Yang Cong are responsible for supervising the implementation of projects.

(4) *Commencement of Assessment of Poverty Alleviation Mission*

In order to obtain the full picture of the poverty alleviation missions shouldered by MCC and organize and coordinate the targeted poverty alleviation works of the entire Group, the Company implemented assessment to its subsidiaries for the responsibility of poverty alleviation missions of provinces and cities in mid May 2018.

According to statistics, saved as the targeted poverty alleviation works commenced in Yanhe County and Dejiang County of Guizhou Province as assigned by the State Council Leading Group Office of Poverty Alleviation and Development undertaken by the headquarters of MCC, there are still six subsidiaries responsible for poverty alleviation missions for nine villages of provinces and cities and the provision of safety and technical guidance for one poverty alleviation real estate project, selection and dispatch of three cadres to the villages, two poverty alleviation work teams (7 people in total), one technical guidance team (3 people). The contribution to the projects of 2018 is expected to be more than RMB2.6 million.

(5) *Initiation of voluntary campaign with the theme of "Small Package • Big Love" for MCC youths*

During Youth Day of 2018, the Company and China Foundation for Poverty Alleviation jointly organized and initiated a voluntary campaign with the theme of "Small Package • Big Love" for MCC youths, gathering "Love Packages" for the primary school students at Yanhe County and Dejiang County.

Significant Events

3. Achievements of targeted poverty alleviation

Unit: RMB0'000

Indicator	Amount and details
I. Overall situation	
Including: 1. Funds	84.532
2. Worth of materials	5.5
3. Number of beneficiaries in recorded poor population (<i>person</i>)	518
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 checked="" type="checkbox"/> Assets income <input checked="" type="checkbox"/> Science and technology <input type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (<i>unit</i>)	8
1.3 Contribution to industrial poverty alleviation projects	45.5
1.4 Number of beneficiaries in recorded poor population (<i>person</i>)	506
2. Poverty alleviation by transfer of employment	
Including: 2.1 Number of beneficiaries in recorded poor population obtaining assistance for employment from the Company (<i>person</i>)	12
3. Poverty alleviation by education	
Including: 3.1 Contribution to subsidize students in poverty	0.5
3.2 Number of students in poverty being subsidized (<i>person</i>)	20
3.3 Contribution to improve education resources in poverty areas	8.4
4. Poverty alleviation by healthcare	
Including: 4.1 Contribution to medical and healthcare resources in poverty areas	20
5. Fallback protection	
Including: 5.1 Contribution to help "three types of villagers who stay in the village"	1.3
5.2 Number of beneficiaries of "three types of villagers who stay in the village" (<i>person</i>)	83
5.3 Contribution to help disabled people in poverty	0.2
5.4 beneficiaries of disabled people in poverty (<i>person</i>)	5
6. Poverty alleviation in the society	
Including: 6.1 Poverty Alleviation Charitable Funds	0.319
7. Other projects	
Including: 7.1 Number of projects (<i>unit</i>)	6
7.2 Amount of contribution	13.813

4. Staged Progress of the fulfilment of social responsibility regarding targeted poverty alleviation

(1) Progress of targeted poverty alleviation projects

In 2018, MCC planned to implement the infrastructure project of Tengxicun Industrial Park in Chaodizhen, Dejiang County, contributing RMB1.1 million; planned to implement projects with roads connecting to households and illumination projects for Tangjiapian Village, Shenjiacun in Shaxiang, contributing RMB0.4 million.

MCC planned to implement projects of short-term houses for teachers of primary village schools in Zhangyi Village, Xinjingzhen in Yuanhe County, contributing RMB1.5 million; planned to implement projects of environment improvement and dock renovation in Dujiang Village, contributing RMB0.5 million.

As of the end of June 2018, the above projects have been implemented.

(2) Progress of charity package projects

A total of 5,363 people in the Company participated in this event and raised more than RMB0.21 million. A total of 2,100 charity package will be distributed to primary students in Yanhe County and Dejiang County at the beginning of fall semester this year.

5. Subsequent targeted poverty alleviation programs

According to the overall planning of the superior authorities, the amount of direct assistance to the targeted counties for poverty alleviation in 2018 will experience a comparably substantial rise on the basis of approximately RMB1.5 million planned at the beginning of 2018. In light of actual situation, each of the counties will be received contributions with an amount of approximately RMB3 million to RMB3.5 million. In the second half of 2018, we will put emphasis on the new assistance amount while efficiently implementing works under poverty alleviation program in a timely manner.

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable

XIV. INFORMATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY

(I) 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 and Enterprises with Significant Waste Disposal for 2018 published by the Ministry of Environmental Protection and provincial and municipal departments of environmental protection, among all subsidiaries of the Company, Xiangyang Enfi Environmental Protection Energy Co., Ltd., a subsidiary of China ENFI Engineering Co., Ltd. (hereinafter "China ENFI") was incorporated in enterprises under special supervision of exhaust gas, China Silicon Corporation Ltd. (洛陽中硅高科技有限公司), a subsidiary of China ENFI was incorporated into the list of enterprises under special supervision of wastewater treatment plants, and 26 sewage treatment plants controlled by Huatian Engineering & Technology Corporation, MCC (hereinafter "Huatian MCC"), China ENFI and WISDRI Engineering & Research Incorporation Limited (hereinafter "WISDRI") were incorporated in enterprises under special supervision of sewage treatment.

Significant Events

During the Reporting Period, each environmental protection facility of the Company operated normally, and the emission of key pollutants had reached the emission standard without excessive emission, achieving the objective of total emission reduction. Xiangyang Enfi Environmental Protection Energy Co., Ltd. applied three 400 tonnes/day incinerators and two 12MW condensing steam turbine generating units, annually disposing of 438,000 tonnes household waste to generate electricity of 130 million kWh. In the first half of 2018, the investment in environmental protection of Xiangyang Enfi Environmental Protection Energy Co., Ltd. and China Silicon Corporation Ltd. was RMB890,000 and RMB1.7388 million, respectively. In the first half of 2018, total contribution in environmental protection of 26 sewage treatment plants under Huatian MCC, China ENFI and WISDRI reached RMB448 million, and the accumulated treatment of sewage amounted to 207 million tonnes in total. Emission of COD was reduced by 64,600 tonnes and emission of ammoniacal nitrogen was cut down by 5,500 tonnes.

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 green development 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. 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 (《綠色施工示範圖集》) and other documents, to perfect the environmental protection rules and regulations and strengthen the control over environmental pollution and prevention and management of environment-related risks so as to fully accomplish the management objectives on energy conservation and environmental protection in the first half year. Proactively devoting itself to environmental governance and environmental protection and advocating the concept of environmental protection for years, China MCC strived to enhance the efficiency of energy utilization and establish a resource-conserving and environment-friendly enterprise.

1. Information about pollution discharge

(1) Enterprises under special supervision of sewage treatment (26 sewage treatment plants)

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standards	Emission standard ^{***} (mg/L)	Actual emission (mg/L)	Discharge flow	Total actual emission for half year (t)	Total approved emission for the whole year (t)	Total amount of discharge vent and distribution of the enterprise
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	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard B	60 8(15)	28 2.6	Qingliu River (清流河)	517.43 39.69	2,190 292	Total amount is 1, located in 160 metres south of the plant
2	Lai'an Huatian Water Corporation MCC (萊安縣中冶華天水務有限公司)	Vent from Lai'an Huatian Water Corporation MCC	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5(8)	37.85 0.6	Lai River (萊河)	350.52 5.56	543 54.3	Total amount is 1, located in the northwest of the plant
3	MCC Qinhuangdao Water Co., Ltd. (中冶萊州水務有限公司)	Vent from Shanhaiguan Water Treatment Plant (山海關污水廠)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5(8)	20.49 0.59	Chao River (潮河)	117.51 3.38	362 36.2	The total amount is 1, located at vent
4	Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司)	Vent outside Shouguang North Water Corporation MCC	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A ^{***}	40 2	32 0.5	Zhangsang River (張醬河)	248 4	480 48	Total amount is 1, located in the northeast corner of the plant
5	Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(天長市污水處理廠))	vent number WS-009	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5(8)	25.4 1.5	Chuanqiao River (川橋河)	239.8 14.2	1,095 109.5	Total amount is 1, located in the northwest corner of the plant

Significant Events

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standards	Emission standard ^{non} (mg/L)	Actual emission (mg/L)	Discharge flow	Total actual emission for half year (t)	Total approved emission for the whole year (t)	Total amount of discharge vent and distribution of the enterprise
6	Qinlan Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中治華水務有限公司(秦欄鎮污水處理廠))	Mixed inflow of sewage emission in Qinlan Town and Jiangwei County of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	34.4 1.29	Qinlan River (秦欄河)	36.84 1.38	109.5 10.95	Total amount is 1, located in the south of the plant
7	Yangcun Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中治華水務有限公司(楊村鎮污水處理廠))	Mixed inflow of sewage emission in Yangcun Wastewater Treatment Plant of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	26.4 2.2	Yangcun River (楊村河)	22.3 1.9	91.25 9.13	Total amount is 1, located at the northeast corner of the plant
8	Wastewater Treatment Plant of Economic Development Zone of Tianchang Huatian Water Corporation MCC (天長市中治華水務有限公司(天長市經濟開發區污水處理廠))	Vent number WS-04303	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	31.8 0.39	New Chuangqiao River (新川橋河)	94.5 1.16	366 36.5	Total amount is 1, located in the east of the plant
9	Tongcheng Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中治華水務有限公司(銅城鎮污水處理廠))	Vent number WS-04305	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	25 0.2	Tonglong River (銅龍河)	34.3 0.27	182.5 18.25	Total amount is 1, located in northeast corner of the plant
10	MCC Xinglong Water Co., Ltd. (興隆縣中治水務有限公司)	Vent of disinfecting tank WS-001	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	18.59 2.7	Liu River (柳河)	88.03 11.93	365 36.5	Total amount is 1, located at vent of the disinfecting tank
11	MCC Dingyuan Water Co., Ltd. (定遠縣中治水務有限公司)	Wastewater Discharge Vent WS-50004	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	21.4 1	Maqiao River (馬橋河)	110.6 5.2	273.75 27.375	Total amount is 1, located in the southwest corner of the plant
12	Liu'an Water Corporation MCC (六安市中治水務有限公司)	Main vent WS00075	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	13 0.4	Su Da Yan (蘇大堰)	18.34 0.5	365 36.5	Total amount is 1, located at vent of the disinfecting tank
13	Cha He Water Treatment Plant of Lai'an Huatian Water Corporation MCC (來安縣中治華水務有限公司(汭河污水處理廠))	Vent from Cha He Water Treatment Plant (汭河污水處理廠)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	19.27 1.89	Chu River (汭河)	33.6 3.29	438 43.8	Total amount is 1, located in the northwest of the plant
14	Ma'anshan MCC Water Corporation (馬鞍山中治水務有限公司)	Ma'anshan MCC Huatian Water Corporation (馬鞍山市中治華水務有限公司) WS-090801	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level 1 Standard A	50 5 (8)	24.6 0.65	Xiangcheng River (襄城河)	59.66 3.72	150.25 15.025	Total amount is 1 (discharge into Xiangcheng River through pipeline)
15	Huangshi Water Corporation MCC (黃石中治水務有限公司)	Vent from Huangshi Tuanchengshan Wastewater Treatment Plant (黃石團城山污水處理廠排放口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	12.21 0.39	Qi-hu Lake (磁湖)	92.63 2.96	730 73	Total amount is 1 (vent)
16	Shouguang MCC Huatian Water Co., Ltd. (壽光市中治華水務有限公司)	Vent from Shouguang MCC Huatian Water Co., Ltd. WS-37078309	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A ^{non}	40 2	37.4 1.03	Xiaoqing River (小清河)	802.58 22.1	1,600 40	Total amount is 1, at the vent of northwest corner of the plant
17	Qinhuangdao Funing District MCC Water Co., Ltd. (秦皇島市撫寧區中治水務有限公司)	Vent from Funing Wastewater Treatment Plant (撫寧污水廠出口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard A	50 5 (8)	20.17 0.32	The Man Made River (人造河)	177.93 2.78	456.25 45.625	Total amount is 1, located in the south of the plant
18	MCC Fuzhou Changde Water Co., Ltd. (福州市長樂區中治水務有限公司)	Vent from Fuzhou MCC Changde District Water Co., Ltd. WS26616 (Phase 1)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002), Level 1 Standard B	60 8 (15)	42.7 0.12	Ming River (甌江)	181.52 0.51	325.8 43.44	Total amount is 2, Phase 1 located in the east of the plant and Phase 2 located in the north of the plant
		Vent from Fuzhou MCC Changde District Water Co., Ltd. WS26616 (Phase 2)	COD Ammoniacal nitrogen		60 8 (15)	42.9 0.17		123.47 0.49	325.8 43.44	

Significant Events

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standards	Emission standard ^{***} (mg/L)	Actual emission (mg/L)	Discharge flow	Total actual emission for half year (t)	Total approved emission for the whole year (t)	Total amount of discharge vent and distribution of the enterprise
19	MCC Xuancheng Water Co., Ltd. (宣城市中冶水务有限公司) ^{***}	Vent from Xuancheng Wastewater Treatment Plant	/	/	/	/	Shuiyang River (水陽江)	/	/	Total amount is 1, located in the west of the plant
20	Beijing Zhongshe Water Treatment Co., Ltd. (北京中設水處理有限公司)	Main vent (Phase 1)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of current wastewater plant) DB11/890-2012	50	24	Ciwei River (刺渭河)	159.6	504	Total amount is 2, all are located in the west of the plant
			Ammoniacal nitrogen		5(8)	2.63		5.74	68.4	
	Total Phosphorus	0.5	0.26		/	/				
		Main vent (Phase 2)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of new wastewater plant) DB11/890-2012	20	15		119.32	504	
		Ammoniacal nitrogen	1.0 (1.5)		0.98	2.29		68.4		
		Total Phosphorus	0.2		0.16	/		/		
21	Lanzhou Zhonglou Water Corporation (蘭州中投水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard B) GB18918-2002	60	27	Yellow River	961.99	5,616	Total amount is 1, located in the north of the plant
			Ammoniacal nitrogen		8 (15)	1.22		39.05	1,404	
			Total Phosphorus		1	0.2		/	/	
22	Xiaogan Zhongshe Water Co., Ltd. (孝感中設水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard B) GB18918-2002	60	24	Gunzi River (滾子河)	535.69	3,024	Total amount is 1, located in the east of the plant
			Ammoniacal nitrogen		8 (15)	3.3		73.66	756	
			Total Phosphorus		1	0.31		/	/	
23	Wenxian Zhonglou Water Co., Ltd. (溫縣中投水務有限公司)	Main vent of the First Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A) GB18918-2002	50	31.07	Laomang River (老蟒河)	254.73	720	Total amount is 2, all are located in the south of the plant
			Ammoniacal nitrogen		5 (8)	2.06		16.77	115.2	
			Total Phosphorus		0.5	0.24		/	/	
		Main vent of the Second Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A) GB18918-2002	50	30.2		36.67	540	
		Ammoniacal nitrogen	5 (8)		1.52	1.82		86.4		
		Total Phosphorus	0.5		0.11	/		/		
24	Changzhou Enfi Water Co., Ltd. (常州恩菲水務有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Municipal Wastewater Treatment Plant & Key Industries of Taihu Area DB32/1072-2007	60	49	Cailling Port (採菱港)	259.01	648	Total amount is 1, located in the southwest of the plant
			Ammoniacal nitrogen		5	0.69		2.38	54	
			Total Phosphorus		0.5	0.17		/	/	
25	Zhejiang Chunnan Sewage Treatment Co., Ltd. (浙江春南污水處理有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Pulp and Paper Industry of Zhejiang Province DHJ1-2001	60	51	Yang Pu Qu (洋浦渠)	880.94	5,400	Total amount is 1, located in the northwest of the plant
			Ammoniacal nitrogen		5	0.36		6.34	450	
			Total Phosphorus		0.5	0.04		/	/	
26	Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市新溝水處理廠廠水排放口)	PH	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A) (GB18918-2002)	6-9	7.76	Yangtze River	/	/	Total amount is 1, located at the end of PAP metering tank
			COD		≤50	10		35.53	1,277.5	
			Ammoniacal nitrogen		≤5(8)	0.06		0.217	127.8	
		Total Phosphorus		≤0.5	0.21	/	/	/		

Note: The values outside the brackets of the standard GB18918-2002 are control objectives which water temperature is over 120 degrees Celsius. The value inside the brackets of the standard GB18918-2002 is control objectives whose water temperature is equal or below 120 degrees Celsius. Pursuant to Shou Huan Wei Fa [2018] No.4 Document issued by Shouguang City Environmental Protection Committee, the required water output indicators of COD and ammoniacal nitrogen for Shouguang North Water Corporation MCC and Shouguang MCC Huatian Water Co., Ltd. was 40mg/L and 2mg/L, respectively. Xuancheng Water Treatment Plant of MCC Xuancheng Water Co., Ltd. is currently under supervision but not in operation. Therefore, no wastewater discharge statistic can be recorded.

Significant Events

(2) Enterprises under special supervision of wastewater treatment plants (1 enterprise)

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission	Discharge flow	Total actual emission for half year (t)	Total approval emission for the whole year (t)	Total amount of discharge vent and distribution
1	Luoyang Silicon High Technology Company Limited – The First Subsidiary (洛陽中矽高科技有限公司一分公司)	Main vent of wastewater	pH	Integrated wastewater discharge standard GB8978-1996 (Level Three)	6-9	6.3	Sewage treatment plant of New District, Luoyang	/	/	Total amount is 1, located in the south of the plant
			SS	Integrated wastewater discharge standard GB8978-1996 (Level Three)	400mg/L	72.5 mg/L	Sewage treatment plant of New District, Luoyang	61.725	/	
			COD	Integrated wastewater discharge standard GB8978-1996 (Level Three)	500mg/L	27.53 mg/L	Sewage treatment plant of New District, Luoyang	24.787	61.39	
			Ammoniacal nitrogen	Integrated wastewater discharge standard GB8978-1996 (Level Three)	/	0.67 mg/L	Sewage treatment plant of New District, Luoyang	0.619	1.07	
			Cl-	Discharge Standard of Chlorides for Salt and Alkali Industry DB41/276-2011	350mg/L	267.2 mg/L	Sewage treatment plant of New District, Luoyang	244.29	/	
			F-	Integrated wastewater discharge standard GB8978-1996 (Level Three)	20mg/L	0.09 mg/L	Sewage treatment plant of New District, Luoyang	0.077	/	
		Chimney of Exhaust Washing Tower	HCl	Integrated Emission Standards of Air Pollutants Level Two	100mg/Nm ³ 0.915kg/h	16.82 mg/Nm ³ 0.035kg/h	Atmosphere	1.225	/	Total amount is 1, located in the south of the plant
		Chimney of Acid Fume Purification Tower	HF	Integrated Emission Standards of Air Pollutants Level Two	9mg/Nm ³ 0.38kg/h	3.29 μg/Nm ³ 0.11kg/h	Atmosphere	0.003	/	Total amount is 2, located in the north of the original workshop and corrosion cleaning workshop
			NOx	Integrated Emission Standards of Air Pollutants Level Two	240mg/Nm ³ 2.85kg/h	32.97 mg/Nm ³ 0.54kg/h	Atmosphere	0.87	7.281	

Significant Events

(3) Enterprises under special supervision of exhaust gas (2 enterprises)

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission	Discharge flow	Total actual emission for the half year (f)	Total approval emission for the whole year (g)	Total amount of discharge vent and distribution
1	Xiangyang Erfei Environmental Protection Energy Co., Ltd. (襄陽惠菲環保能源有限公司)	Xiangyang Erfei Household Waste Incineration Power Plant (Wastewater vent)	COD	Integrated Emission Standards of Air Pollutant (GB9878-1996) Level Three Emission limit	500 mg/L	30.84 mg/L	Wastewater Treatment Plant of Yujiahu	1.83	8.52	Total amount of sewage discharge vent is 1, located in the east of the plant
			PH	Integrated Emission Standards of Air Pollutant (GB9878-1996) Level Three Emission limit	6-9	7.4	/	/		
2	Xiangyang Erfei Environmental Protection Energy Co., Ltd. (襄陽惠菲環保能源有限公司)	Exhaust vent from Xiangyang Erfei Waste Incineration Power Plant #1	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100 mg/Nm ³	32.57 mg/Nm ³	Atmosphere	9.3	95	Total amount of Flue Gas discharge vent is 3
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300 mg/Nm ³	128.27 mg/Nm ³		36.8	138	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30 mg/Nm ³	0.44 mg/Nm ³		0.13	11	
		Exhaust vent from Xiangyang Erfei Waste Incineration Power Plant #2	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100 mg/Nm ³	26.86 mg/Nm ³		9.7	95	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300 mg/Nm ³	103.89 mg/Nm ³		37.3	138	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30 mg/Nm ³	0.15 mg/Nm ³		0.052	11	
		Exhaust vent from Xiangyang Erfei Waste Incineration Power Plant #3	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100 mg/Nm ³	21.32 mg/Nm ³		7.02	95	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300 mg/Nm ³	114.01 mg/Nm ³		37.8	138	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30 mg/Nm ³	0.68 mg/Nm ³		0.22	11	

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. Currently, with normal operation of pollution governance facilities and perfect production operation management, the emission of smoke and dust as well as sewage can reach the emission standard.

- (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 controlled smoke and dust emission was stricter than those required by the State. The core devices were imported from Europe and the smoke and dust purification technology used the technology of "semi-dry rotary atomization + bag filter" ("deacidification reaction tower + activated carbon injection + bag filter"). Currently, the emission of smoke and dust is in compliance with the requirements as set out in *Standard for Pollution Control On the Municipal Solid Waste Incineration* (GB 18485-2014).
- (3) All sewage treatment companies attached high importance to energy conservation and consumption reduction, and strengthened the management and control of sewage treatment facilities, operation and other aspects to ensure that operation of pollution prevention facilities were normal and guarantee that stable water discharge quality would meet standards.

Some companies reinforced their technology innovation and continue to develop new techniques and products. For example, the Water Environment Branch under MCC Huatian Engineering & Technology Co., Ltd. (hereinafter "Huatian Water Treatment") via the "internet +" research institute to develop a water treatment operation remote management system which could implement intelligent management to 19 sewage treatment plants distributed in various areas throughout the PRC and achieve functions including remote monitoring, process monitoring, cost control, expert diagnosis and supporting decision-making. At present, Huatian MCC is developing a decision-making intelligent software module to forecast water discharge data in real time by means of software simulation and fulfilment of cost reduction and efficiency enhancement through measures like precise aeration at the front on the premise that the water discharge quality meets the standards. Meanwhile, Huatian Water Treatment is supported by patent technologies in terms of denitrification and sludge disposal, etc., improving overall craftsmanship and technical level.

3. *Environmental impact assessment of construction projects and other permits granted by environmental protection administrative departments*

All Enterprises with Significant Waste Disposal have obtained approvals from relevant environmental protection departments in respect of environmental impact assessment.

4. *Contingency plans for environmental emergencies*

All 26 sewage treatment companies have worked out contingency plans for environmental emergencies.

5. *Environmental self-monitoring plans*

China Silicon Corporation Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd and 26 sewage treatment companies have worked out environmental self-monitoring plans. All sewage treatment plants have installed online COD and ammoniacal nitrogen monitoring facilities at their intakes and vents, respectively, ensuring that monitoring data is transmitted and monitored in real time by local environmental protection authorities via the Internet. At the same time, the local monitoring station regularly selects and tests samples from sewage treatment plants to ensure understanding and handling the sewage treatment situation of the plants.

Significant Events

6. **Other information about environmental protection should be made public**

China Silicon Corporation Ltd. submitted to the Henan 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 announcements 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 announcements on a quarterly basis.

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

(II) **Information on environmental protection of companies not categorized as major sewage discharge enterprises**

Applicable Not Applicable

(III) **Undisclosed information on environmental protection of companies not categorized as major sewage discharge enterprises**

Applicable Not Applicable

(IV) **Disclosed information on subsequent progress or changes of environmental protection in the Reporting Period**

Applicable Not Applicable

XV. CORPORATE GOVERNANCE AND GOVERNANCE OF THE COMPANY

During the Reporting Period, the Company continued to comply strictly with the laws and regulations including the Company Law and the Securities Law of China, and relevant laws and regulations of the place where the domestic and oversea shares are listed, and requirements of corporate governance in relation to the regulatory rules, constantly optimized the corporate governance systems. The Shareholders' Meeting, the Board and its Special Committees, as well as the Supervisory Committee of the Company operated and disclosed information in compliance with the laws and regulations in an efficient manner, actively expanded communication channels with investors and steadily 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 code provisions E.1.2 and A.4.2 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 2017 annual general meeting due to business engagement. Pursuant to relevant requirements, Mr. Zhang Zhaoxiang, the Vice Chairman and an executive Director of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting. Pursuant to the requirements of the code provision A.4.2 of the *Corporate Governance Code*, each of the directors shall be subject to retirement by rotation at least once for every three years. From November 2014 to November 2017, the tenure of office of the second session of the Board and the Supervisory Committee of the Company has been 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, the members of the current session of the Board and the Supervisory Committee shall continue to discharge their duties. The Company shall submit the nomination or re-election of any proposed Directors and Supervisors to the general meeting for consideration or approval in accordance with legal procedures when practicable.

Significant Events

1. During the Reporting Period, convening of each meeting is in compliance with the relevant requirements of the *Company Law* and the *Articles of Association*.

During the Reporting Period, the Company convened 1 general meeting, 6 Board meetings, 7 meetings of Special Committees, and 2 meetings of Supervisory Committee in total.

2. During the Reporting Period, the Company strictly complied with various requirements of CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, strengthened the research of new monitoring regulations, actively researched and determined information disclosures, strictly supervised red lines of regulatory rules, and improved information disclosure quality. The Company focused on the disclosure of main concerns of regulatory authorities as well as those in the capital market, such as new position for the Company's strategic development, core competitiveness, and business development strengths. On the basis of compliance disclosure, the Company constantly enhances the readability and continuity of the information disclosed.

In addition, the Company dynamically followed hot topics in the capital market, uncovered the Company's internal data synchronously, and tried to build a two-way communication and exchange mechanism between the internal part of the Company and the capital market. Also, the Company actively presented the new image of its development to the capital market through Shareholder's Meetings, performance communication meetings, domestic and foreign brokerage strategy meeting, special forums, etc., providing investors with a deeper understanding of the new strategic position of "being the national team for metallurgical construction, the major force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies" as well as the latest achievement of the Company in connection with upgrading transformation and market expansion.

3. The Company has adopted the Model Code as the code governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all the Directors and Supervisors, the Company is of the view that all Directors and Supervisors fully complied with the Model Code and requirements set out thereof during the six months ended 30 June 2018.

Significant Events

XVI. REVIEW OF INTERIM RESULTS BY THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2018. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2018 had been in compliance with the applicable accounting principles as well as laws and regulations, and had made proper disclosures.

XVII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

(I) Explanation, reasons and impacts of the changes in accounting policy, accounting estimation and auditing method when compared with the previous accounting period

In 2017, the Ministry of Finance newly revised the *Accounting Standards for Business Enterprises No. 14 – Revenue*, the *Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments*, the *Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets*, the *Accounting Standards for Business Enterprises No. 24 – Hedge Accounting* and the *Accounting Standards for Business Enterprises No. 37 Presentation of Financial Instruments*, and promulgated the “Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the Year 2018” on 15 June 2018. For details of the impact on the financial statements of the Group, please refer to Note V 28 to “Financial Report” in this report.

(II) Explanation, correction amounts, reasons and impacts of retroactive restatement made for the corrections to the substantial accounting errors during the Reporting Period

Applicable Not Applicable

(III) Others

Applicable Not Applicable

Changes in Ordinary Shares and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Table for changes in shares

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

On 8 January 2018, for the shares subscribed by the issue targets under the non-public issuance, the changes in such shares after its listing for trading are listed below:

Unit: share

	Before change		Issue of new shares	Bonus shares	Change (+/-)			After change	
	Number	Percentage (%)			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
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	/

Changes in Ordinary Shares and Particulars of Shareholders

2. Explanation on the changes in 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 issuing 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 amounting to RMB6,173,491,784.27. The shares subscribed by the issue targets under the non-public issuance of the Company shall not be transferred within 12 months from the date of completion of the issuance, and 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.

3. Impacts on financial indicators including earnings per share, net assets per share, etc. from changes in shares during the period from the end of the Reporting Period to the issuance of interim report (if any)

Applicable Not Applicable

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

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 period	Number of shares released from selling restrictions during the Reporting Period	Increased number of shares subject to selling restrictions during the Reporting Period	Number of shares subject to selling restrictions at the end of the Reporting Period	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)	524,286,787	524,286,787	0	0	Non-public issuance	6 January 2018
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	0	Non-public issuance	6 January 2018
Penghua Asset Management Co., Ltd. (鵬華資產管理有限公司)	161,580,310	161,580,310	0	0	Non-public issuance	6 January 2018
Lion Fund Management Co., Ltd. (諾安基金管理有限公司)	166,581,968	166,581,968	0	0	Non-public issuance	6 January 2018
CCB Principal Asset Management Co., Ltd. (建信基金管理有限責任公司)	173,901,450	173,901,450	0	0	Non-public issuance	6 January 2018
China Hongxin Securities Co., Ltd. (宏信證券有限責任公司)	161,404,041	161,404,041	0	0	Non-public issuance	6 January 2018
Huatai Asset Management Company Ltd. (華泰資產管理有限公司)	219,757,124	219,757,124	0	0	Non-public issuance	6 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)	24,762,154	24,762,154	0	0	Non-public issuance	6 January 2018
Total	1,613,619,170	1,613,619,170	0	0	/	/

Changes in Ordinary Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period (<i>Person</i>)	426,421
Total number of Shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period (<i>Person</i>)	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

Shareholding of the top 10 Shareholders

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged or frozen		Nature of Shareholder
					Status of Shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	0	12,265,108,500	59.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) ⁽²⁾	-745,000	2,841,737,000	13.71	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	103,311,966	1,015,409,914	4.90	0	Nil	0	State-owned legal person
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	0	181,345,336	0.88	0	Nil	0	Others
Tianan Life Insurance Co., Ltd. - Traditional Products (天安人壽保險股份有限公司-傳統產品)	161,404,042	161,404,042	0.78	0	Nil	0	Others
Huatai Asset Management Company Ltd. - Strategic Investment Products (華泰資產管理有限公司-策略投資產品)	-62,556,123	122,664,084	0.59	0	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
Zhang Jingchun (張景春)	80,790,155	80,790,155	0.39	0	Pledged	64,020,000	Domestic natural person
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)	-80,700,478	80,700,661	0.39	0	Nil	0	Others
Penghua Asset - China Merchants Bank - China Resources SZITIC Trust - China Resources Trust • Bohui No. 45 Collective Fund Trust (鵬華資產-招商銀行-華潤深國投信託-華潤信託•博薈45號集合資金信託計劃)	-82,278,955	79,301,355	0.38	0	Nil	0	Others

Changes in Ordinary Shares and Particulars of Shareholders

Shareholding of top 10 Shareholders not subject to selling restrictions

Unit: shares

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⁾	2,841,737,000	Overseas-listed foreign shares	2,841,737,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	1,015,409,914	RMB-denominated ordinary shares	1,015,409,914
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	RMB-denominated ordinary shares	181,345,336
Tianan Life Insurance Co., Ltd. -Traditional Products (天安人壽保險股份有限公司-傳統產品)	161,404,042	RMB-denominated ordinary shares	161,404,042
Huatai Asset Management Company Ltd. - Strategic Investment Products (華泰資產管理有限公司-策略投資產品)	122,664,084	RMB-denominated ordinary shares	122,664,084
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
Zhang Jingchun (張景春)	80,790,155	RMB-denominated ordinary shares	80,790,155
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)	80,700,661	RMB-denominated ordinary shares	80,700,661
Penghua Asset - China Merchants Bank - China Resources SZITIC Trust - China Resources Trust • Bohui No. 45 Collective Fund Trust (鵬華資產-招商銀行-華潤深國投信託-華潤信託 • 博睿45號集合資金信託計劃)	79,301,355	RMB-denominated ordinary shares	79,301,355

Explanations on the connections or parties acting in concert among the aforesaid Shareholders	The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders
Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held	Not applicable

Note (1): Figures in the table were extracted from the Company's register of Shareholders as at 30 June 2018.

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

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

Applicable Not Applicable

Changes in Ordinary Shares and Particulars of Shareholders

(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

III. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLERS

Applicable Not Applicable

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

Saved as disclosed in "Corporate Bonds" of this report, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

Directors, Supervisors and Senior Management

I. PARTICULARS OF CHANGES IN SHAREHOLDING

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

Unit: share

Name	Position	Number of Shares held at the beginning of the period	Number of shares held at the end of the period	Changes in shares during the Reporting Period	Reason for the changes
Guo Wenqing	Chairman and Executive Director	130,000	130,000	0	–
Zhang Zhaoxiang	Vice Chairman and Executive Director	80,000	80,000	0	–
Jing Tianliang	Non-executive Director	117,500	117,500	0	–
Yu Hailong	Independent Non-executive Director	0	0	0	–
Ren Xudong	Independent Non-executive Director	0	0	0	–
Chan Ka Keung Peter	Independent Non-executive Director	0	0	0	–
Lin Jinzhen	Employee Representative Director	60,000	60,000	0	–
Yan Aizhong ⁽¹⁾	Supervisor	0	0	0	–
Peng Haiqing	Supervisor	41,500	41,500	0	–
Shao Bo	Employee Representative Supervisor	34,800 ⁽²⁾	34,800 ⁽²⁾	0	–
Zhang Mengxing	President	60,032	60,032	0	–
Wang Yongguang ⁽¹⁾	Vice President	50,000	50,000	0	–
Zou Hongying	Vice President and Chief Accountant	40,000	40,000	0	–
Wang Shilei	Vice President	0	0	0	–
Qu Yang	Vice President	70,000 ⁽³⁾	70,000 ⁽³⁾	0	–
Zeng Jianzhong ⁽¹⁾	Vice President	0	0	0	–
Zhang Ye ⁽¹⁾	Vice President	0	0	0	–
Li Yuzhuo	Secretary to the Board	55,000	55,000	0	–

Notes (1): Please refer to the section headed “II. Changes of Directors, Supervisors and Senior Management of the Company” of this chapter for details of changes in duties of Mr. Yan Aizhong, Mr. Wang Yongguang, Mr. Zeng Jianzhong and Mr. Zhang Ye during the Reporting Period.

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

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

Description of other information

Applicable Not Applicable

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

Applicable Not Applicable

Directors, Supervisors and Senior Management

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

Name	Position	Change
Yan Aizhong	Vice President	Appointed
Yan Aizhong	Supervisor	Resigned
Zeng Jianzhong	Vice President	Appointed
Zhang Ye	Vice President	Appointed
Wang Yongguang	Vice President	Resigned

Description of changes of Directors, Supervisors and senior management of the Company

1. On 3 April 2018, the Supervisory Committee of the Company received the written resignation tendered by Mr. Yan Aizhong, a Supervisor. Due to adjustment of work arrangements, Mr. Yan Aizhong resigned from his position as a Supervisor of the Company. Since the resignation of Mr. Yan Aizhong will result in the number of Supervisors on the Supervisory Committee of the Company falling below the quorum as required by law, Mr. Yan Aizhong will, in accordance with the requirements of the Articles of Association and relevant laws and regulations, continue to perform his duty as a Supervisor until a newly elected Supervisor takes office.
2. On 3 April 2018, the Board of the Company received the written resignation tendered by Mr. Wang Yongguang, a Vice President. As Mr. Wang Yongguang reached the statutory retirement age, he resigned from his position as a Vice President of the Company.
3. On 3 April 2018, the Board of the Company passed a resolution to appoint Mr. Zeng Jianzhong as the Vice President of the Company.
4. On 11 June 2018, the Board of the Company passed a resolution to appoint Mr. Zhang Ye as the Vice President of the Company.

Directors, Supervisors and Senior Management

III. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Company employed a total of 95,428 employees.

Level of Education of Current Employees:

Level of Education	Number of Current Employees	Percentage
Above Postgraduate	9,900	10.37%
Undergraduate	41,146	43.12%
College degree	17,564	18.41%
Below college degree	26,818	28.10%
Total	95,428	100.00%

Structure of Ages of Current Employees:

Structure of Ages	Number of Current Employees	Percentage
Aged 56 and above	3,510	3.68%
Aged 51–55	11,769	12.33%
Aged 46–50	15,691	16.44%
Aged 41–45	12,307	12.90%
Aged 36–40	13,385	14.03%
Aged 35 and below	38,766	40.62%
Total	95,428	100.00%

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

Directors, Supervisors and Senior Management

IV. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN SECURITIES

(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 30 June 2018, 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 and Supervisors pursuant to the Model Code or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: share

Name	Position	Class of Shares	Long/ short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Directors							
Guo Wenqing	Chairman and Executive Director	A Shares	Long position	Beneficial owner	130,000	0	0
Zhang Zhaoxiang	Vice Chairman and Executive Director	A Shares	Long position	Beneficial owner	80,000	0	0
Jing Tianliang	Non-executive Director	A Shares	Long position	Beneficial owner	117,500	0	0
Lin Jinzhen	Employee Representative Director (Non-executive Director)	A Shares	Long position	Beneficial owner	60,000	0	0
Supervisors							
Peng Haiqing	Supervisor	A Shares	Long position	Beneficial owner	41,500	0	0
Shao Bo	Employee Representative Supervisor	A Shares	Long position	Beneficial owner	33,800	0	0
				Interests of spouse	1,000	0	0
Chief executive (President)							
Zhang Mengxing	President	A Shares	Long position	Beneficial owner	60,032	0	0

Save as disclosed above, as at 30 June 2018, 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 by the Directors and Supervisors pursuant to the Model Code.

Directors, Supervisors and Senior Management

(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 30 June 2018, 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 ^{Note}	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 and Joint Company Secretary	A Shares	Long position	Beneficial owner	55,000	0	0

Note: On 3 April 2018, the Board of the Company received the written resignation tendered by Mr. Wang Yongguang, a Vice President. As Mr. Wang Yongguang reached the statutory retirement age, he resigned from his position as a Vice President of the Company.

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

As at 30 June 2018, 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

Directors, Supervisors and Senior Management

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	204,371,616	Long position	7.12	0.99

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 30 June 2018, 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.

V. OTHER EXPLANATIONS

Applicable Not Applicable

Corporate Bonds

I. BASIC INFORMATION ON CORPORATE BONDS

Detailed information of all corporate bonds, which were publicly issued by the Company, all listed on a stock exchange and had not yet expired as at the date of publication of this report, are set out as follows:

Unit: RMB00'000'000

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

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 (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 MCC 01	144361	24 October 2017 to 25 October 2017	25 October 2022	5.7	4.99	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interests for the last tranche shall also be paid at the same time	Shanghai Stock Exchange
2018 Corporate Bonds (First Tranche) under the Public Issuance	18 MCC 01 18 MCC 02	143634 143635	7 May 2018 to 8 May 2018	8 May 2021 8 May 2023	8.7 2.2	4.78 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. 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

As of the date of publication of this report, the interests on 2017 Renewable Corporate Bonds (First Tranche) were paid on 1 March 2018, the interests on 2017 Renewable Corporate Bonds (Second Tranche) were paid on 13 March 2018, the interests on 2017 Renewable Corporate Bonds (Third Tranche) were paid on 11 July 2018, and the interests on 2017 Renewable Corporate Bonds (Fourth Tranche) were paid on 30 July 2018.

The value date of 2017 Corporate Bonds (First Tranche) under the Public Issuance was 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).

The value date of 2018 Corporate Bonds (First Tranche) under the Public Issuance was effective from 8 May 2018 and the initial date of interest payment is 8 May 2019 (where it is a non-trading day, payment shall be postponed to the following trading date, during which no additional interests shall be accrued on the interest payment).

Corporate Bonds

Other 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), 2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 Corporate Bonds (First Tranche) under the Public Issuance are all targeted at 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 Zhang Jiayu
	Contact No.	010-60840906
Credit ranking institution	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	Anji Building, No. 760 Tibet South Road, Huangpu District, Shanghai, PRC

Other Explanation:

Applicable Not Applicable

III. USE OF PROCEEDS OF CORPORATE BONDS

As of the date of publication of this 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), 2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 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 bond 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.

According to the credit ranking report (Xin Ping Wei Han Zi [2018] No. G195-F2) issued by China Chengxin Securities Rating Co., Ltd. on 23 April 2018, "Corporate Bonds (First Tranche) for 2018 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. disclosed a tracking rating report for the above corporate bonds on the website of Shanghai Stock Exchange on 16 May 2018 to remind investors for concern.

According to the credit rating report (Xin Ping Wei Han Zi [2018] Gen Zong No. 077) issued by China Chengxin Securities Rating Co., Ltd. on 9 May 2018, "Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.", "Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.", "Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd." and "Renewable Corporate Bonds (Fourth Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company remained the ranking of AAA with stable outlook. The above credit rating of indebtedness for the period remained as AAA.

According to the credit rating report (Xin Ping Wei Han Zi [2018] Gen Zong No. 076) issued by China Chengxin Securities Rating Co., Ltd. on 9 May 2018, "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 credit rating of indebtedness for the period remained as AAA.

Corporate Bonds

V. CREDIT ENHANCEMENT MECHANISM FOR CORPORATE BONDS, DEBT REPAYMENT PLANS AND OTHER RELEVANT MATTERS DURING THE REPORTING PERIOD

As of the date of publication of this 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. During the Reporting Period, the Company strictly implemented debt repayment plans and debt repayment protection mechanism in accordance with the undertakings provided in the prospectus.

VI. CONVENTION OF CORPORATE BONDHOLDERS' MEETINGS

Since the issuance date of corporate bonds and up to the date of publication of this 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", "17 MCC 01", "18 MCC 01" and "18 MCC 02". 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.

The bond trustee of corporate bonds "17 MCC Y1", "17 MCC Y3", "17 MCC Y5", "17 MCC Y7" and "17 MCC 01" published 2017 trustee reports in relation to respective corporate bonds on the website of Shanghai Stock Exchange on 29 June 2018 to remind investors for concern.

VIII. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS AS OF THE END OF THE REPORTING PERIOD AND THE END OF THE PREVIOUS YEAR (OR THE REPORTING PERIOD AND THE CORRESPONDING PERIOD OF THE PREVIOUS YEAR)

Major Indicators	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease for the end of the Reporting Period as compared to the end of the previous year (%)
Current Ratio	1.15	1.15	–
Quick Ratio	0.72	0.73	Decreased by 0.01
Asset-liability Ratio (%)	76.97%	76.52%	Increased by 0.45 percentage point
Loan Repayment Ratio (%)	100%	100%	–

	The Reporting Period (January – June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year (%)
EBITDA/Interest Protection Multiples	2.91	2.71	Increased by 0.20
Interest Payment Ratio (%)	100%	100%	–

IX. OVERDUE DEBT

Applicable Not Applicable

Corporate Bonds

X. 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.

XI. 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 RMB489.0 billion from various financial institutions, of which RMB164.0 billion were utilized and RMB325.0 billion were unutilized.

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

XII. 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.

XIII. 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.

I. REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

De Shi Bao (Yue) Zi (18) No. R00077

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

We have reviewed the accompanying interim financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprised the consolidated and Company's balance sheets as at 30 June 2018, and the consolidated and Company's income statements, the consolidated and Company's statements of changes in shareholders' equity and the consolidated and Company's cash flow statements for the six months then ended, and notes to the financial statements (hereinafter collectively referred to as the "Interim Financial Statements"). The preparation of the Interim Financial Statements is the responsibility of the Company's management. Our responsibility is to deliver a report on review of these Interim Financial Statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No.2101–Review of Financial Statements. This Standard requires us to plan and perform the review to obtain limited assurance about whether the Interim Financial Statements are free from material misstatements. A review is limited primarily to procedures as enquiry of entity's personnel and analytical review procedures applied to the financial information and thus provides less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of Metallurgical Corporation of China Ltd. are not prepared, in all material respects, in accordance with China Accounting Standards, and cannot present fairly, in all material respects, the consolidated and Company's financial positions as at 30 June 2018 and the consolidated and Company's operating performance and cash flows for the six months then ended.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:
Ma Yan Mei
Chen Wen Long
30 August 2018

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

Financial Report

For the six months ended 30 June 2018

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	30 June 2018	31 December 2017
Current Assets:			
Cash and bank balances	VII 1	46,424,094	43,593,622
Financial assets at fair value through profit or loss		--	151,451
Financial assets held for trading	VII 2	1,857,671	--
Bills and accounts receivable	VII 3	91,795,001	94,253,008
Prepayments	VII 4	19,629,670	19,230,005
Other receivables	VII 5	51,196,045	41,399,402
Inventories	VII 6	59,857,929	118,292,878
Contract assets	VII 7	70,030,710	--
Non-current assets due within one year	VII 8	2,042,772	2,171,927
Other current assets	VII 9	4,177,389	3,236,652
Total Current Assets		347,011,281	322,328,945
Non-current Assets:			
Available-for-sale financial assets		--	4,410,495
Long-term receivables	VII 10	21,433,286	23,541,178
Long-term equity investments	VII 11	11,001,841	8,916,066
Investments in other equity instruments	VII 12	1,908,774	--
Other non-current financial assets	VII 13	2,810,609	--
Investment properties	VII 14	5,929,101	3,386,116
Fixed assets	VII 15	27,638,996	28,603,498
Construction in progress	VII 16	3,178,520	2,891,030
Intangible assets	VII 17	15,021,152	15,419,183
Goodwill	VII 18	163,354	164,282
Long-term prepaid expenses	VII 19	274,011	296,022
Deferred tax assets	VII 20	4,837,322	4,585,699
Other non-current assets	VII 21	28,056	22,660
Total Non-current Assets		94,225,022	92,236,229
TOTAL ASSETS		441,236,303	414,565,174

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	30 June 2018	31 December 2017
Current Liabilities:			
Short-term borrowings	VII 22	54,142,869	39,425,855
Bills and accounts payable	VII 23	138,440,148	139,831,143
Receipts in advance	VII 24	78,024	43,861,424
Contract liabilities	VII 25	49,182,428	--
Employee benefits payable	VII 26	2,135,207	1,974,696
Taxes payable	VII 27	2,678,465	3,428,721
Other payables	VII 28	27,157,522	26,832,037
Non-current liabilities due within one year	VII 29	22,220,241	18,423,908
Other current liabilities	VII 30	6,986,293	6,357,400
Total Current Liabilities		303,021,197	280,135,184
Non-current Liabilities:			
Long-term borrowings	VII 31	21,524,176	23,470,743
Bonds payable	VII 32	8,262,344	7,086,675
Long-term payables	VII 33	1,183,035	1,271,398
Long-term employee benefits payable	VII 34	3,595,394	3,554,213
Provisions	VII 35	647,303	270,472
Deferred income	VII 36	1,226,235	1,271,973
Deferred tax liabilities	VII 20	173,233	184,035
Total Non-current Liabilities		36,611,720	37,109,509
TOTAL LIABILITIES		339,632,917	317,244,693

Financial Report

For the six months ended 30 June 2018

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	30 June 2018	31 December 2017
Shareholders' Equity:			
Share capital	VII 37	20,723,619	20,723,619
Other equity instruments	VII 38	17,884,240	17,884,240
Including: Perpetual bond		17,884,240	17,884,240
Capital reserve	VII 39	22,527,670	22,527,667
Other comprehensive income	VII 40	(242,154)	5,218
Special reserve	VII 41	12,550	12,550
Surplus reserve	VII 42	1,338,615	1,338,615
Retained earnings	VII 43	20,897,284	20,007,920
Total shareholders' equity attributable to shareholders of the Company		83,141,824	82,499,829
Non-controlling interests		18,461,562	14,820,652
TOTAL SHAREHOLDERS' EQUITY		101,603,386	97,320,481
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		441,236,303	414,565,174

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

II FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	30 June 2018	31 December 2017
Current Assets:			
Cash and bank balances		2,742,803	4,658,892
Bills and accounts receivable	XVI 1	810,216	588,374
Prepayments		572,637	234,413
Other receivables	XVI 2	36,042,702	29,402,072
Inventories		1,009	421,130
Contract assets		397,584	--
Non-current assets due within one year		1,277,037	1,277,037
Other current assets		23	44
Total Current Assets		41,844,011	36,581,962
Non-current Assets:			
Available-for-sale financial assets		--	231
Investments in other equity instruments		231	--
Long-term receivables	XVI 3	4,191,977	4,150,983
Long-term equity investments	XVI 4	86,549,325	85,841,681
Fixed assets		13,758	13,005
Intangible assets		9,021	10,113
Total Non-current Assets		90,764,312	90,016,013
TOTAL ASSETS		132,608,323	126,597,975

Financial Report

For the six months ended 30 June 2018

II FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	30 June 2018	31 December 2017
Current Liabilities:			
Short-term borrowings	XVI 5	25,621,617	20,310,515
Bills and accounts payable		1,108,191	865,246
Receipts in advance		–	948,899
Contract liabilities		1,168,366	–
Employee benefits payable		11,827	10,753
Taxes payable		46,291	58,010
Other payables	XVI 6	13,733,546	14,604,588
Non-current liabilities due within one year	XVI 7	6,652,639	5,997,291
Total Current Liabilities		48,342,477	42,795,302
Non-current Liabilities:			
Long-term borrowings	XVI 8	2,900,000	1,250,000
Bonds payable		1,660,000	570,000
Long-term payables		300,000	378,980
Long-term employee benefits payable		18,409	18,366
Deferred income		4,411	4,411
Total Non-current Liabilities		4,882,820	2,221,757
TOTAL LIABILITIES		53,225,297	45,017,059
Shareholders' Equity:			
Share capital		20,723,619	20,723,619
Other equity instruments		17,884,240	17,884,240
Including: Perpetual bond		17,884,240	17,884,240
Capital reserve		38,041,092	38,041,092
Other comprehensive income		78	718
Special reserve		12,550	12,550
Surplus reserve		1,338,615	1,338,615
Retained earnings		1,382,832	3,580,082
TOTAL SHAREHOLDERS' EQUITY		79,383,026	81,580,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		132,608,323	126,597,975

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Total operating revenue		126,112,573	101,085,487
Including: Operating revenue	VII 44	126,112,573	101,085,487
II Total operating costs		121,419,603	97,351,110
Including: Operating costs	VII 44	110,641,099	87,960,653
Taxes and levies	VII 45	1,190,698	963,708
Selling expenses	VII 46	830,485	839,359
Administrative expenses	VII 47	3,826,959	3,473,706
Research & Development expenses	VII 48	1,447,867	1,155,698
Financial expenses	VII 49	1,472,739	1,596,597
Including: Interest expenses		1,961,503	1,680,004
Interest income		1,009,496	407,941
Impairment losses of assets	VII 50	970,746	1,361,389
Impairment losses of credit	VII 51	1,039,010	--
Add: Other incomes	VII 52	72,940	51,769
Investment income	VII 53	98,723	11,298
Including: Losses from investments in associates and joint ventures		(36,310)	(70,135)
Gains from changes in fair values	VII 54	8,189	10,680
Gains from disposal of assets	VII 55	36,944	36,011
III Operating profit		4,909,766	3,844,135
Add: Non-operating income	VII 56	203,788	208,554
Less: Non-operating expenses	VII 57	449,906	78,477
IV Total profit		4,663,648	3,974,212
Less: Income tax expenses	VII 58	1,164,680	1,056,357
V Net profit		3,498,968	2,917,855
(I) Categorized by the nature of continuing operation			
Nets profits from continuing operations		3,498,968	2,917,855
Nets profits from discontinued operations		--	--
(II) Categorized by ownership:			
Profit or loss attributable to non-controlling interests		591,771	243,179
Net profit attributable to shareholders of the Company		2,907,197	2,674,676

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
VI Other comprehensive income, net of income tax	VII 59	(171,555)	63,413
Other comprehensive income attributable to shareholders of the Company, net of income tax		(163,855)	81,146
(I) Items that will not be reclassified subsequently to profit or loss		(203,907)	141,156
1. Re-measurement of defined benefit obligations		(120,171)	141,156
2. Changes in fair values of investments in other equity instruments		(83,736)	--
(II) Items that may be reclassified subsequently to profit or loss		40,052	(60,010)
1. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method		20	(104)
2. Net (loss) gain on revaluation of available-for-sale financial assets		--	(7,010)
3. Exchange differences on translating foreign operations		40,032	(52,896)
Other comprehensive income attributable to non-controlling interests, net of income tax		(7,700)	(17,733)
VII Total comprehensive income		3,327,413	2,981,268
Total comprehensive income attributable to shareholders of the Company		2,743,342	2,755,822
Total comprehensive income attributable to non-controlling interests		584,071	225,446
VIII Earnings per share	XV 3		
(I) Basic earnings per share (RMB/share)		0.12	0.11
(II) Diluted earnings per share (RMB/share)		N/A	N/A

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Operating revenue	XVI 9	2,074,739	1,713,403
Less: Operating costs	XVI 9	1,976,167	1,587,102
Taxes and levies		1,557	4,950
Administrative expenses		72,750	76,251
Financial expenses		347,885	208,589
Including: Interest expenses		832,852	842,192
Interest income		744,577	624,300
Impairment losses of assets		–	(23,370)
Impairment losses of credit	XVI 10	1,158	–
Add: Investment income	XVI 11	(3,094)	500,800
Including: Gain (Losses) from investments in associates and joint ventures		(3,094)	800
Gains from disposal of assets		2	–
II Operating profit		(327,870)	360,681
Add: Non-operating income		6	1,445
Less: Non-operating expenses		22	518
III Total profit		(327,886)	361,608
Less: Income tax expenses		6,272	3,696
IV Net profit		(334,158)	357,912
Net profit from continuing operations		(334,158)	357,912
Net profit from discontinued operations		–	–
V Other comprehensive income, net of income tax		(640)	732
(I) Items that will not be reclassified subsequently to profit or loss		(640)	732
1. Re-measurement of defined benefit obligations		(640)	732
VI Total comprehensive income		(334,798)	358,644

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2018

II FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Cash Flows from Operating Activities:			
Cash receipts from goods sold and services provided		127,628,770	106,678,318
Receipts of tax refunds		491,011	160,017
Other cash receipts relating to operating activities	VII 60(1)	1,362,746	1,296,491
Sub-total of cash inflows from operating activities		129,482,527	108,134,826
Cash payments for goods purchased and services received		112,538,657	100,079,993
Cash payments to and on behalf of employees		9,270,649	7,987,873
Payments of various types of taxes		6,363,212	6,166,450
Other cash payments relating to operating activities	VII 60(2)	9,416,601	8,100,382
Sub-total of cash outflows from operating activities		137,589,119	122,334,698
Net Cash Flows from Operating Activities	VII 61(1)	(8,106,592)	(14,199,872)
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		37,507	–
Cash receipts from investment income		61,509	28,127
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		71,844	106,002
Net cash receipts from disposal of subsidiaries and other operating entities		41,452	–
Other cash receipts relating to investing activities	VII 60(3)	1,068,770	148,870
Sub-total of cash inflows from investing activities		1,281,082	282,999
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,695,714	1,850,874
Cash payments to acquire investments		4,386,523	2,216,045
Other cash payments relating to investing activities	VII 60(4)	558,670	90,956
Sub-total of cash outflows from investing activities		7,640,907	4,157,875
Net Cash Flows from Investing Activities		(6,359,825)	(3,874,876)

II FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		3,299,355	6,866,147
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		3,299,355	2,166,532
Cash receipts from issuing perpetual bond		–	4,699,615
Cash receipts from borrowings		69,391,175	49,078,747
Other cash receipts relating to financing activities	VII 60(5)	–	1,138,273
Sub-total of cash inflows from financing activities		72,690,530	57,083,167
Cash repayments of borrowings		51,691,916	39,135,209
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,570,832	2,911,939
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		171,010	119,491
Other cash payments relating to financing activities	VII 60(6)	695,296	158,231
Sub-total of cash outflows from financing activities		55,958,044	42,205,379
Net Cash Flows from Financing Activities		16,732,486	14,877,788
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		37,733	(94,660)
V Net Increase (Decrease) in Cash and Cash Equivalents		2,303,802	(3,291,620)
Add: Opening balance of Cash and Cash equivalents		36,464,134	38,711,911
VI Closing Balance of Cash and Cash Equivalents	VII 61(2)	38,767,936	35,420,291

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2018

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Cash Flows from Operating Activities:			
Cash receipts from goods sold and services provided		2,195,678	2,372,868
Receipts of tax refunds		–	1,442
Other cash receipts relating to operating activities		13,729	24,263
Sub-total of cash inflows from operating activities		2,209,407	2,398,573
Cash payments for goods purchased and services received		2,155,671	1,747,946
Cash payments to and on behalf of employees		40,175	48,394
Payments of various types of taxes		34,433	23,583
Other cash payments relating to operating activities		142,606	269,053
Sub-total of cash outflows from operating activities		2,372,885	2,088,976
Net Cash Flows from Operating Activities	XVI 12(1)	(163,478)	309,597
II Cash Flows from Investing Activities:			
Cash receipts from investment income		268,514	1,887,277
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		19	–
Other cash receipts relating to investing activities		6	508,892
Sub-total of cash inflows from investing activities		268,539	2,396,169
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,916	3,518
Cash payments to acquire investments		710,738	4,566,901
Other cash payments relating to investing activities		6,247,265	1,333,800
Sub-total of cash outflows from investing activities		6,959,919	5,904,219
Net Cash Flows from Investing Activities		(6,691,380)	(3,508,050)

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		–	4,699,615
Including: Cash receipts from issuing perpetual bonds		–	4,699,615
Cash receipts from borrowings		45,000,388	16,593,781
Other cash receipts relating to financing activities		–	196
Sub-total of cash inflows from financing activities		45,000,388	21,293,592
Cash repayments of borrowings		38,812,051	22,527,626
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,245,880	967,597
Other cash payments relating to financing activities		98	–
Sub-total of cash outflows from financing activities		40,058,029	23,495,223
Net Cash Flows from Financing Activities		4,942,359	(2,201,631)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,688)	(10,335)
V Net Decrease in Cash and Cash Equivalents		(1,916,187)	(5,410,419)
Add: Opening balance of Cash and Cash equivalents		4,648,065	7,692,102
VI Closing Balance of Cash and Cash Equivalents	XVI 12(2)	2,731,878	2,281,683

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2018

II FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the six months ended 30 June 2018								
	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
I Closing balance of the preceding period	20,723,619	17,884,240	22,527,667	5,218	12,550	1,338,615	20,007,920	14,820,652	97,320,481
Add: Changes in accounting policies (Note 128)	-	-	-	(95,032)	-	-	(143,226)	(33,626)	(271,884)
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	20,723,619	17,884,240	22,527,667	(89,814)	12,550	1,338,615	19,864,694	14,787,026	97,048,597
III Changes for the period	-	-	3	(152,340)	-	-	1,032,590	3,674,536	4,554,789
(I) Total comprehensive income	-	-	-	(163,855)	-	-	2,907,197	584,071	3,327,413
(II) Shareholders' contributions and reduction in capital	-	-	3	-	-	-	-	3,261,475	3,261,478
1. Capital contribution from owners	-	-	-	-	-	-	-	2,965	2,965
2. Capital contribution from holders of other equity instruments (Note 1X1)	-	-	-	-	-	-	-	3,296,390	3,296,390
3. Others	-	-	3	-	-	-	-	(37,880)	(37,877)
(III) Profit distribution	-	-	-	-	-	-	(1,863,092)	(171,010)	(2,034,102)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,863,092)	(171,010)	(2,034,102)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	11,515	-	-	(11,515)	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	11,515	-	-	(11,515)	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	1,413,261	-	-	95,048	1,508,309
2. Amount utilized in the current period	-	-	-	-	(1,413,261)	-	-	(95,048)	(1,508,309)
(VI) Others	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	20,723,619	17,884,240	22,527,670	(242,154)	12,550	1,338,615	20,897,284	18,461,562	101,603,386

II FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

All amounts in RMB'000

Items	For the six months ended 30 June 2017								
	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
I Closing balance of the preceding period	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 periods errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	20,723,619	9,884,950	22,438,344	189,057	12,550	1,100,651	16,203,904	12,554,628	83,107,703
III Changes for the period	-	4,699,615	(21,257)	81,146	-	-	1,108,920	2,307,448	8,175,872
(I) Total comprehensive income	-	-	-	81,146	-	-	2,674,676	225,446	2,981,268
(II) Shareholders' contributions and reduction in capital	-	4,699,615	(21,257)	-	-	-	-	2,201,493	6,879,851
1. Capital contribution from owners	-	-	-	-	-	-	-	2,181,350	2,181,350
2. Capital contribution from holders of other equity instruments	-	4,699,615	-	-	-	-	-	-	4,699,615
3. Others	-	-	(21,257)	-	-	-	-	20,143	(1,114)
(III) Profit distribution	-	-	-	-	-	-	(1,565,756)	(119,491)	(1,685,247)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,565,756)	(119,491)	(1,685,247)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	1,020,399	-	-	85,879	1,106,278
2. Amount utilized in the current period	-	-	-	-	(1,020,399)	-	-	(85,879)	(1,106,278)
(VI) Others	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	20,723,619	14,584,565	22,417,087	270,203	12,550	1,100,651	17,312,824	14,862,076	91,283,575

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2018

II FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the six months ended 30 June 2018							Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
I Closing balance of the preceding period	20,723,619	17,884,240	38,041,092	718	12,550	1,338,615	3,580,082	81,580,916
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II Opening balance of the current period	20,723,619	17,884,240	38,041,092	718	12,550	1,338,615	3,580,082	81,580,916
III Changes for the period	-	-	-	(640)	-	-	(2,197,250)	(2,197,890)
(I) Total comprehensive income	-	-	-	(640)	-	-	(334,158)	(334,798)
(II) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	(1,863,092)	(1,863,092)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,863,092)	(1,863,092)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV Closing balance of the current period	20,723,619	17,884,240	38,041,092	78	12,550	1,338,615	1,382,832	79,383,026

II FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

Items	For the six months ended 30 June 2017							
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I Closing balance of the preceding period	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 periods errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II Opening balance of the current period	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
III Changes for the period	-	4,699,615	-	732	-	-	(1,207,844)	3,492,503
(I) Total comprehensive income	-	-	-	732	-	-	357,912	358,644
(II) Shareholders' contributions and reduction in capital	-	4,699,615	-	-	-	-	-	4,699,615
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	4,699,615	-	-	-	-	-	4,699,615
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	(1,565,756)	(1,565,756)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,565,756)	(1,565,756)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV Closing balance of the current period	20,723,619	14,584,565	38,041,092	2,197	12,550	1,100,651	2,250,072	76,714,746

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

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”) 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 have not yet been completed. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company remain unchanged before and 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 30 August 2018.

III. BASIC CORPORATE INFORMATION (CONTINUED)

2. Scope of consolidated financial statements

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

IV. BASIS OF PREPARATION

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises 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, since 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.

IV. BASIS OF PREPARATION (CONTINUED)

2. Accrual basis and measurement principle (Continued)

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 30 June 2018 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.

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 30 June 2018 and consolidated and the Company's operating results and cash flows for the six months 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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 on initial recognition of the underlying equity instruments or liabilities.

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

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

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

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 on 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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 shareholders' 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Joint arrangement and a joint operation

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.

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 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 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(2) Translation of financial statements denominated in foreign currency

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

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

The opening balances and the comparative figures of prior period are presented at the translated amounts in the prior period'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

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. When the Group recognizes the accounts receivable excluding significant financing component or does not consider the financing component in the contract within one year in accordance with the *Accounting Standards of Business Enterprise No. 14 – Revenue* (hereinafter referred to as "New Standards for Revenue", the standards for revenue before modification is to be referred to as "Former Standards for Revenue"), the accounts receivable on initial recognition is measured at transaction price defined in New Standards for Revenue.

(1) Classification and measurement of financial assets

On initial recognition, the Group's financial assets are classified into the following categories, including financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) Classification and measurement of financial assets (Continued)

(a) Categorized into financial assets measured at amortized cost

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group shall classify the financial asset into the financial asset measured at amortized cost. The Group's financial assets measured at amortized cost include cash and bank balances, bills and accounts receivable, other receivables, non-current assets due within one year and long-term receivables.

Financial assets measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognized in profit or loss.

– Effective interest method and amortized cost

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability without considering expected credit losses.

The amortized cost of a financial asset or a financial liability is an accumulatively amortized amount arising from the initially recognized amount of the financial asset or the financial liability deducting repaid principals plus or less amortization of balances between the initially recognized amount on initial recognition and the amount on maturity date using the effective interest method, and then deducting accumulated provisions for losses (only applicable to financial assets).

For financial assets measured at amortized cost, the Group recognizes interest income using effective interest method. The Group calculates and recognizes interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- (i) For purchased or originated credit-impaired financial assets with credit impairment, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.
- (ii) For purchased or originated financial assets without credit impairment incurred while with credit impairment incurred in subsequent periods, the Group calculates and recognizes its interest income based on amortized cost of the financial asset and the effective interest in subsequent periods. If the credit risk of the financial asset is reduced during subsequent periods and credit impairment does not exist, the Group shall calculate and recognize interest income through book value of financial assets multiplying effective interest.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) *Classification and measurement of financial assets (Continued)*

(b) *Categorized into financial assets at fair value through other comprehensive income ("FVTOCI")*

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the Group shall classify the financial asset into the financial assets at FVTOCI.

Impairment losses or gains related to financial assets, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period. Except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

The Group does not have financial assets measured FVTOCI.

(c) *Categorized into financial assets at fair value through profit or loss ("FVTPL")*

Financial assets at FVTPL include financial assets at FVTPL and those designated as at FVTPL.

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are categorized into financial assets measured at FVTPL.

On initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Other than financial assets included in a portion of hedging relations, the Group subsequently measured these financial assets at fair value, gains or losses arising from changes in fair value and dividends and interest income related to these financial assets shall be recognized into profit or loss for the period.

The Group's financial assets measured at FVTPL include monetary funds, tradable equity instrument investments and investments in private funds, which are set out under the items "tradable financial assets" and "other non-current financial assets" in the balance sheet. The Group has no financial assets designated as at FVTPL.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) *Classification and measurement of financial assets (Continued)*

- (d) Designated as financial assets at fair value through other comprehensive income ("FVTOCI")

On initial recognition, the Group may irrevocably designate a non-tradable equity instrument investments as financial asset measured at FVTOCI.

The financial assets designated as financial assets measured at FVTOCI are set out under the item "investments in other equity instrument". Changes in fair value of non-tradable equity investments should be recognized in other comprehensive income, when the financial assets are derecognized, the accumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognize dividends in profit or loss.

(2) *Impairment of financial assets*

The Group shall recognize a loss allowance for expected credit losses on a financial asset measured at amortized cost, a lease receivable and a contract asset or accounts receivable.

The Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue.

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Group assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. If the credit loss of the financial instrument has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instrument at an amount in the future 12-month expected credit losses. The increased or reversed amount of credit is recognized in profit or loss as impairment loss or gain.

The Group has makes a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial assets (Continued)

(a) Significant increase of credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- Significant changes in internal price indicators of credit risk as a result of a change in credit risk;
- Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the debtor's ability to meet its debt obligations;
- An actual or expected significant change in the operating results of the debtor;
- Significant adverse change in the regulatory, economic, or technological environment of the debtor;
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the debtor's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring;
- Significant changes in circumstances expected to reduce the debtor's economic incentive to make scheduled contractual payments;
- Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instrument;
- Significant changes in the expected performance and behavior of the debtor;
- Past due period of contract payment exceeds (includes) 30 days.

At balance sheet date, if the Group judges that the financial instrument solely has lower credit risk, the Group will assume that the credit risk of the financial instrument has not been significantly increased since initial recognition.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial assets (Continued)

(b) Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes the following observable events:

- Significant financial difficulty of the issuer or debtor;
- A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- It becoming probable that the debtor will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the debtor;
- Purchase or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred.

(c) Determination of expected credit loss

For the financial asset at amount over RMB100 million and the financial asset at amount under RMB100 million but whose credit risk has been significantly increased since initial recognition, the Group will estimate cash flows through considering all contract terms one by one of relevant financial assets during the whole expected life based on the individual item of financial assets, determine expected credit loss and make impairment allowance based on the above circumstances.

For other financial assets, the Group will comprehensively consider relevant aging factors and different customer segment with significant difference in occurrence of losses, divide relevant financial assets in different groups based on historical credit loss experience, determine expected credit loss and make impairment allowance based on the above circumstances.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial assets (Continued)

(c) Determination of expected credit loss (Continued)

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a lease receivable, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a financial asset with credit-impaired at the balance sheet date, but not purchased or originated credit-impaired, a credit losses is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

(d) Write-down of financial assets

When the Group will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Group will directly write down the carrying amount of the financial asset, which constitutes derecognition of relevant financial assets.

(3) Transfer of financial assets

The Group will derecognize a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of 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, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial asset categorized into those measured at amortized cost, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(3) *Transfer of financial assets (Continued)*

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognized as a liability upon receipts.

(4) *Classification and measurement of financial liabilities*

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments on initial recognition.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

(a) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL consist of financial liabilities held for trading and those designated as at FVTPL.

A financial liability may be irrevocably designated as at FVTPL on initial recognition when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognizing the gains or losses on them on different bases; or (ii) The Group makes management and performance evaluation on a fair value basis, in accordance with the Group's formally documented risk management or investment strategy, and reports to key management personnel on that basis. (iii) The qualified hybrid financial instrument combines financial asset with embedded derivatives.

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

Financial liabilities arising from contingent consideration recognized by the Group as an acquirer in a business combination not involving enterprises under common control, the Group will make accounting treatment for the financial liability as that measured at FVTPL.

The group does not have financial liabilities measured at FVTPL.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) *Classification and measurement of financial liabilities (Continued)*

(b) *Other financial liabilities*

Other financial liabilities, except for financial liabilities arising from transfer of financial assets does not satisfy derecognition criteria or continue involvement of transferred financial assets and financial guarantee contracts liability, are subsequently measured at amortized cost, with gain or loss arising from derecognition or amortization recognized in profit or loss. The Group's financial liabilities measured at amortized cost include bills and accounts payable, other payables, long-term payables and loans and bonds payable etc.

That the Group and its counterparty modify or renegotiate the contract does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognized in profit or loss. The Group will determine carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

The term of the financial liability measured at amortized cost is under one year (inclusive), the financial liability is presented as current liability; the financial liability with the term over one year but will fall due within one year (inclusive) since the balance sheet date, it is present as non-current liability due within one year; others are presented as non-current liability.

(5) *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 debtor) 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 a 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 (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(6) *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. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(7) *Offsetting financial assets and financial liabilities*

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 realise 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. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

11. 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, materials in transit, costs to fulfil a contract, properties under development, completed properties held for sale etc.

(2) *Valuation method of inventories upon delivery*

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

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

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

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

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

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

Materials in transit 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (Continued)

(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.

12. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

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

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

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

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

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

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

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

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

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

(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 V18).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

(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 period. 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 period 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.

13. 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 (year)	Estimated residual values rate (%)	Annual depreciation rate (%)
Buildings and structures	15–40	3–5	2.38–6.47
Land use rights	40–70	–	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.

If the recoverable amounts of the investment properties are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V18).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. 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.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Fixed assets (Continued)

(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 V26(2)).

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

(4) *Other explanations*

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

If the recoverable amounts of the fixed assets are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V18).

15. 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.

If the recoverable amounts of the construction in progress are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V18).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. 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.

17. Intangible assets

(1) Valuation methods, service life, impairment test

The Group's intangible assets include land use rights, mining rights, concession assets, 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

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

(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 profit or loss accordingly.

(d) Software

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

(e) Patent and proprietary technologies

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

(f) 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) If the recoverable amounts of the intangible assets are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V18).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

(2) *Research and development expenditure*

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

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

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

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

18. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. 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.

20. 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 period 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 period 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 period or recognized as respective assets costs.

(2) Post-employment benefits

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

All the employees of the Group enjoy and participate in the endowment insurance plans set by local government, which are called defined contribution plans. The Group takes certain proportion (no more than upper limit) out of employees' wages as endowment insurance, and pays to local labor and social security institutes. Corresponding 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 period service cost, past-service cost and settlement gain or loss. Current period service cost means the increase of the value of defined benefit plans resulted from the current period 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 period service offered by employee. (ii) Interest costs of defined benefit plans payable. (iii) Changes related to the revaluation of defined benefit plans liabilities.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Employee benefits (Continued)

(2) *Post-employment benefits (Continued)*

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 period, 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 period.

21. 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 and appropriately adjusted to reflect the best estimation then.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. 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 instrument, 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.

23. Revenue

The Group's revenue is mainly from the following business types:

- Engineering contracting
- Real estate development
- Equipment manufacturing
- Resources development

The Group shall recognize revenue when the Group satisfies a performance obligation in the Contract, namely, when the customer obtains control over relevant goods or services. Control over the relevant goods refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from the goods or services.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

Where the contract entered into by the Group and the customer satisfies all of the following conditions at the same time, the Group will recognize revenue when the customer obtains control over relevant goods or services:

- The parties to the contract have approved the contract and are committed to perform their respective obligations;
- The contract can identify each party's rights and obligation regarding goods or services to be transferred;
- The contract can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
- It is probable that the Group will recover the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

If a contract meets the above criteria at contract inception, the Group shall not reassess those criteria unless there is an indication of a significant change in facts and circumstances. If a contract does not meet the above criteria at contract inception, the Group shall continue to assess the contract and make accounting treatment when the above criteria are met. When a contract does not meet the above criteria, the Group shall recognize the consideration received as revenue only when the Group has no remaining obligations to transfer goods or services to the customers and the consideration received from the customer is non-refundable; otherwise, the Group shall recognize the consideration received from the customer as a liability.

(1) *Determining the transaction price*

The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer. The Group shall consider the terms of the contract and its customary business practices to determine the transaction price. When determining the transaction price, the Group may consider effects of factors such as the variable consideration, a significant financing component, consideration payable to a customer and non-cash considerations.

(a) *Variable consideration*

In case of the existence of variable consideration (performance bonuses and penalties etc.) in the contract, the Group shall determine the best estimate of variable consideration based on the expected value or the most probably occurred amount. The transaction price including variable consideration shall not exceed the amount of the cumulative recognized revenue which is the most probably to be significantly reversed when elimination of relevant uncertainty. At each balance sheet date, the Group re-estimate the amount of variable consideration which should be included in transaction price.

(b) *A significant financing component*

In case of the existence of a significant financing component in the contract, the Group shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Differences between transaction price and contract consideration are amortized using effective interest method during the contract life. At contract inception, if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group would not consider the significant component in the contract.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(1) *Determining the transaction price (Continued)*

(c) *Consideration payable to a customer*

In case of the existence of consideration payable to a customer in the contract, the Group shall account for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service. The Group shall recognize the reduction of revenue at the later of recognizing relevant revenue and paying (or promising to pay) the consideration.

(d) *Non-cash consideration*

In case of non-cash consideration paid by the customer, the Group shall determine transaction price at fair value of non-cash consideration. If the fair value of the non-cash consideration is not be estimated reasonably, the Group shall measure the consideration indirectly by reference to the stand-alone selling price of the goods or services promised to the customer.

(2) *Identification of stand-alone performance obligations in the contract*

At contract inception, the Group assesses the contract and identify stand-alone performance obligations. Performance obligations refer to commitment of the Group to transfer a distinct good or service to the customer.

In the following circumstances, the Group takes the commitments to transfer of a good or services to the customer as stand-alone performance obligations: (i) commitment to transfer of a distinct good or services (or a group of goods or services); (ii) commitment to transfer of a series of distinct goods or services with the same substances and the same transfer model.

If the goods or services committed by the Group to the customer meets the following two conditions at the same time, those can be taken as distinct goods or services: (i) the customer is able to benefit from the stand-alone good or services or from the good or services together with other available source, namely, the good or services its own can be distinct; (ii) the commitment to transfer the good or services is separated from other commitments in the contract, namely, the commitment to transfer of the good or services is distinct in the contract.

When determining whether the commitment to transfer the good or services can be distinct, the Group uses judgement and comprehensively considers all facts and circumstances. The following circumstances generally reflect that the commitment to transfer the good or services is not separated from other commitments in the contract: (i) the Group provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted; (ii) the goods or services significantly modifies or customizes other goods or services promised in the contract; (iii) the goods or services are highly interrelated with other goods or services promised in the contract.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(3) *Transaction price allocated to each stand-alone performance obligation*

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in each stand-alone performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. If the stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

(4) *Revenue recognition at satisfying each stand-alone performance obligation*

At contract inception, the Group identifies each stand-alone performance obligation included in the contract, determines whether the performance obligation satisfied during a period of time or at a point in time, and recognizes revenue when satisfying each stand-alone performance obligation.

(a) *Performance obligation satisfied during a period of time*

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now.

For performance obligations satisfied during a period of time, the Group will recognize revenue according to progress of performance within such period, however, other than circumstances that the progress of performance cannot be reasonably determined. The Group determines progress of performance using input method, namely, determines progress of performance based on input by the Group to satisfy performance obligations. When the progress of performance cannot be reasonably determined, the costs incurred are expected to be compensated, the Group recognizes revenue based on the amount of costs incurred till the progress of performance can be reasonably determined.

(b) *Performance obligation satisfied at a point in time*

For performance obligation satisfied not during a period of time but at a point in time, the Group will recognize revenue at the point in time when the customer obtains control over relative goods or services.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(4) Revenue recognition at satisfying each stand-alone performance obligation (Continued)

(b) Performance obligation satisfied at a point in time (Continued)

When judging whether the customer has obtain control over the goods or services, the Group will consider the following indications.

- The Group has a present right of receivables for the good or services, namely, a customer is presently obliged to pay for the good or services;
- The Group has transferred the legal title of the good to the customer, namely, the customer has physically possessed the good;
- The Group has transferred the significant risks and rewards of ownership of the good to the customer, namely, the customer has obtained the significant risks and rewards of ownership of the good;
- The customer has accepted the good or services;
- Other indications reflecting that the customer has obtained the control over the good or services.

(5) Accounting treatment of specific transaction

(a) Sales attached with quality warranty terms

For sales attached with quality warranty terms, if such quality warranty provides an individual service other than that the Group have made commitments that the sold goods or services meet the established criteria, such quality warranty constitutes a single performance obligation, otherwise, the Group will make accounting treatment for quality warranty liability in accordance with the *Accounting Standard for Business Enterprises No. 13 – Contingencies*.

(b) A principal or an agent

To determine whether the Group is a principal or an agent, the Group identifies the specified goods or services to be provided to the customer, and assesses whether it controls those goods or services before they are transferred to the customer. If the Group can control those goods or services before they are transferred to the customer, the Group is a principal, recognizing revenue at the total consideration received or receivable; otherwise, the Group is an agent, recognizing revenue at the amount of commissions or service charges expected to be entitled to collection, such amount shall be determined based on net amount of total consideration received or receivable less amounts payable to other related parties, or on established amounts or proportions of commissions.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(5) Accounting treatment of specific transaction (Continued)

(c) Customer's contract right failed to exercise

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the receipts in advance is non-refundable and the customer may give up all or part of contract right, and the Group is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when the probability is extremely low for the customer to satisfy remaining performance obligations.

(6) Contract costs

(a) Costs of obtaining a contract

The incremental costs of obtaining a contract (i.e. it would not have incurred if the contract had not been obtained) which are expected to be collected shall be recognize as an asset. If the amortization period of the asset is less than one year, it will be included in profit or loss when incurred. Other expenditures incurred to obtain the contract are included in profit or loss when incurred, except for expenditures clearly borne by the customer.

(b) Costs to fulfil a contract

If the costs incurred in fulfilling a contract are not within the scope of other accounting standards for business enterprises the new revenue standards as well as satisfies the following conditions at the same time, the costs will be recognized as an asset: (i) the costs relate directly to a contract or to an anticipated contract; (ii) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future; (iii) the costs are expected to be recovered.

(c) Amortization of the related assets of contract costs

An asset associated with contract costs shall be amortized on the same basis as the revenue recognition of goods or services associated with the asset.

(d) Impairment of the related assets of contract costs

The Group shall make impairment allowance and recognize an impairment loss in profit or loss to the extent that the carrying amount of an asset associated with contract costs recognized exceeds: (i) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less (ii) the costs expected to be incurred to transfer the relative goods or services.

The Group shall recognize in profit or loss a reversal of an impairment loss previously recognized when the impairment conditions have changed. The reversed carrying amount of the asset at the reversal date shall not exceed the amount that would have been determined if no impairment loss had been recognized previously.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(7) *Contract asset and contract liability*

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Please refer to Note V10 for accounting policies on impairment of contract asset. The Group's right of unconditional (i.e. solely depending on the passage of time) collection of consideration from the customer shall be separately set out as receivables.

Contract liability refers to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or the amount is due) from the customer.

24. 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.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government grants (Continued)

(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*

The preferential low-interest loans received by the Group include: when the government finance authority allocates interest subsidy fund to the bank which thereafter issues loans to the Group at preferential low-interest rates, such borrowings are recognized at an amount actually received and the borrowing costs are carried at the principal and the preferential low-interest rates. When the interest subsidy fund of the Group is directly allocated by the government finance authority, such interest subsidy is deducted from related borrowing costs.

(5) *Accounting treatment for the repayment 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.

25. 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Deferred tax assets/deferred tax liabilities (Continued)

Except for those current income tax and deferred tax charged to comprehensive income or shareholders' equity in respect of those transactions or events which have been directly recognized in other comprehensive income or shareholders' equity, and deferred tax recognized on business combinations, all other current income tax and deferred tax items are charged to profit or loss in the current period.

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.

26. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(1) Operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period.

(2) Finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge, using the effective interest method amortization during the lease term. Minimum lease payments deducting unrecognized financing charges are listed as long-term payables.

(3) Sale and lease back

If sale and lease back arrangement is accounted for as finance lease, the difference between sale consideration and the carrying value of the asset is recognized as a deferred income and is amortized on a straight-line basis over the remaining useful life of that asset and adjusted the depreciation charge of that asset.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. 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 period, and provided as a fund in the special reserve. When the expenditures are utilized, they should be offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized as construction in progress. When the assets are ready for their intended use, a same amount should be offset against the special reserve and recorded as accumulated depreciation at the same time. The related fixed asset is not subject to any further depreciation in the subsequent periods.

(3) *Segment information*

The accounting policies of segment information are listed in Note XV1(1).

(4) *Discontinued operations*

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Other significant accounting policies and accounting estimates (Continued)

(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 period, the influence amount is recognized in the current period. If the changes of accounting estimates affect both of the current year and the future period, the influence amount is recognized in the current period and the future period.

(a) Significant 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 V22 to be recorded as equity instrument. Details are set out in Note VII38.

(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) Progress of performance of engineering contracting contracts

The engineering contracting services provided by the Group normally constitute the stand-alone performance obligation, which require to be fulfilled in a certain period. The Group determines progress of performance using input method, namely, determines progress of performance based on the proportion of accumulatively actual cost in estimated total cost. Because of the nature of the activity undertaken in engineering contracting services, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. In the contract progress, the management of the Group regularly reviews the transaction price and contract modification, contract costs in the budget prepared for each contract, the progress of the contracts performance and the accumulatively actual cost. If there are circumstances that there are changes in the transaction price, the contract costs in the budget or the progress of the contract performance, estimates are revised. These revisions may result in increasing or decreasing in estimated revenues or costs and are reflected in consolidated income statement in the current period.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. 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) Credit loss provision

Under expected credit loss method, the Group makes a loss allowance against amount of expected credit losses during the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting New Standards for Revenue. The management's judgment and estimation are required in the recognition of the credit loss provision. If re-estimations differ from the original estimates, such differences will affect the profit and carrying amount of account receivable and contract assets in the period in which the estimate changes.

(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 12.79% to 17.33% for the reporting period (for the year ended 31 December 2017: 12.46% to 17.33%).

If management revises the assumption of estimated future revenue and profit margin in future cash flow calculation of an asset group or set of asset groups, and if the revised revenue and profit margin is lower than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgment on whether additional impairment provision is necessary.

If management revises the assumption of estimated pre-tax discount rate in future cash flow calculation, and if the revised discount rate is higher than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgment on whether additional impairment provision is necessary.

If the actual revenue and profit margin is higher than management estimation or the pre-tax discount rate is lower than management estimation, the Group should not reverse the impairment losses on long-term assets in subsequent accounting periods.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. 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)

(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 period 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 period 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.

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Changes in accounting policies and reasons	Approval procedure	Remarks
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Effect of New Standards for Revenue on the Group

The Group has adopted the New Standards for Revenue modified by the MoF in 2017 since 1 January 2018. The New Standards for Revenue have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). The accounting policies for recognition and measurement of revenue is referred to Note V23. The New Standards for Revenue require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. At the adoption of New Standards for Revenue, the Group solely adjusts the cumulative affected figures in contract not yet been completed at the initial adoption date. For changes in contract incurred before the beginning of adoption of New Standards for Revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

The Group sometimes respectively signs several contracts including design, purchase and construction with customers to provide Engineering Procurement Construction service. Prior to the implementation of New Standards for Revenue, the Group respectively recognized revenues on the basis of individually signed contract; after the implementation of the new standards, because the commitments to transfer of goods or services to the customer in these contracts constitute a stand-alone performance obligation, the Group shall combine these contracts into one contract and recognize revenue at fulfilling a stand-alone performance obligation. Prior to implementation of New Standards for Revenue, the Group recognized revenues on survey and design service contracts by using the percentage of completion; after the implementation of New Standards for Revenue, because the terms of some survey and design service contracts are not met the conditions which performance obligations satisfy during a period of time, the Group shall recognize revenue at a point in time when the customer obtains control over relevant goods or services.

N/A

None

(a) Besides provision of more widen disclosures of revenue transactions, effects of implementation of New Standards for Revenue on relevant items of balance sheet at the beginning of the current period are as follows:

All amounts in RMB'000

Item	31 December 2017	Reclassification	Remeasurement	1 January 2018
Current assets:				
Bills and accounts receivable	94,253,008	–	(84,313)	94,168,695
Inventories	118,292,878	(63,817,992)	23,042	54,497,928
Contract assets	–	63,817,992	(37,350)	63,780,642
Current liabilities:				
Receipts in advance	43,861,424	(43,804,433)	–	56,991
Contract liability	–	43,804,433	176,585	43,981,018
Taxes payable	3,428,721	–	(3,322)	3,425,399
Shareholder's equity:				
Retained earnings	20,007,920	–	(238,258)	19,769,662
Non-controlling interests	14,820,652	–	(33,626)	14,787,026

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Changes in accounting policies and reasons	Approval procedure	Remarks
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Effect of New Standards for Revenue on the Group (Continued)

(b) Compared to the original standards for revenue, effects of implementation of New Standards for Revenue on relevant items in the financial statements for the period are set out below:

Balance Sheet

All amounts in RMB'000

Items	30 June 2018 under New Standards for Revenue	Adjustment	30 June 2018 under Former Standards for Revenue	Approval procedure	Remarks
Current assets:					
Bills and accounts receivable	91,795,001	83,353	91,878,354		
Inventories	59,857,929	69,869,612	129,727,541		
Contract assets	70,030,710	(70,030,710)	-		
Current liabilities:					
Receipts in advance	78,024	49,015,190	49,093,214		
Contract liability	49,182,428	(49,182,428)	-		
Taxes payable	2,678,465	5,432	2,683,897		
Shareholder's equity:					
Retained earnings	83,141,824	62,998	83,204,822	N/A	None
Non-controlling interests	18,461,562	21,063	18,482,625		

Income Statements

All amounts in RMB'000

Items	Current period under New Standards for Revenue	Adjustment	Current period under Former Standards for Revenue
Operating income	126,112,573	(169,047)	125,943,526
Operating costs	110,641,099	(25,064)	110,616,035
Sales expenses	830,485	41,730	872,215
Income tax expenses	1,164,680	2,110	1,166,790
Net profit	3,498,968	(187,823)	3,311,145
Including: Profit or loss attributable to non-controlling interests	591,771	(12,563)	579,208
Net profit attributable to shareholders of the Company	2,907,197	(175,260)	2,731,937

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Changes in accounting policies and reasons	Approval procedure	Remarks
<p>Effect of New Standards for Financial Instruments on the Group</p> <p>The Group pursuant to the <i>Accounting Standards for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement</i>, <i>Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets</i>, <i>Accounting Standards for Business Enterprises No. 24 – Hedging Accounting</i> and <i>Accounting Standards for Business Enterprises No. 37 – Financial Instrument: Presentation</i> (hereinafter referred to as "New Standards for Financial Instruments", the standards for financial instrument before modification are referred to as "original standards for financial instrument") modified by the MoF from 1 January 2018. The accounting policies for details of the change of the Group's accounting policies is referred to Note V10.</p> <p>For classification and measurement of financial assets, the New Standards for Financial Instruments requires that the financial assets should be classified into three categories: "financial assets measured at amortized cost", "financial assets at fair value through other comprehensive income ("FVTOCI")" and "financial assets at fair value through profit or loss ("FVTPL")" based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial assets have been cancelled. Investments in equity instrument are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable equity instrument investments as financial assets measured at FVTOCI, but such designation is non-cancellable, and when the financial assets are derecognized, the cumulative amounts of changes in fair value previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in retained earnings.</p> <p>For impairment of financial assets, the New Standards for Financial Instruments on impairment are applicable to financial assets measured at amortized cost and at FVTOCI, lease receivables, accounts receivable, contract assets and the specific but not withdrawn loan commitment and financial guarantee contract. New Standards for Financial Instruments requires adoption of expected credit loss model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. For the accounts receivable, contract assets and lease receivables, the Group shall use simplified method, which is allowed to recognize impairment allowance for the expected credit loss during the whole life.</p> <p>If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the New Standards for Financial Instruments, the Group will make connection and adjustment as required by the new standards. In case of inconsistency between the comparative figures in financial statements in prior period and requirements of the new standards, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognized in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of New Standards for Financial Instruments at 1 January 2018 are as follows.</p>	N/A	None

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Changes in accounting policies and reasons						Approval	Remarks	
						procedure		
Effect of New Standards for Financial Instruments on the Group (Continued)								
Summary of effects on initial implementation of New Standards for Financial Instruments since 1 January 2018								
<i>All amounts in RMB'000</i>								
Items	31 December 2017	Total effects on implementation of new standards for financial instruments	Effects on implementation of New Standards for Financial Instruments Reclassification		Impairment losses of other equity instrument investment recognized in prior period transferred from retained earnings to other comprehensive income	1 January 2018	N/A	None
			Transferred from financial assets formerly classified as held-for-sale	Transferred from financial assets formerly classified as FVTPL				
Financial assets at fair value through profit or loss	151,451	(151,451)	-	(151,451)	-	-		
Financial assets held for trading	-	151,451	-	151,451	-	151,451		
Held-for-sale financial assets	4,410,495	(4,410,495)	(4,410,495)	-	-	-		
Other equity instrument investment	-	2,026,098	2,026,098	-	-	2,026,098		
Other non-current financial assets	-	2,384,397	2,384,397	-	-	2,384,397		
Other comprehensive income	5,218	(95,032)	-	-	(95,032)	(89,814)		
Retained profits	20,007,920	95,032	-	-	95,032	20,102,952		

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Changes in accounting policies and reasons Approval procedure Remarks

As at 1 January 2018, the effects of the Group's initial implementation of the New Standards for Revenue and financial instruments on its assets, liabilities and shareholders' equity are listed as below:

All amounts in RMB'000

Items	31 December 2017	Effects on implementation of New Standards for Revenue	Effects on implementation of New Standards for Financial Instruments	1 January 2018	Approval procedure	Remarks
Financial assets at fair value through profit or loss	151,451	-	(151,451)	--		
Financial assets held for trading	--	-	151,451	151,451		
Bills receivable and accounts receivable	94,253,008	(84,313)	-	94,168,695		
Inventories	118,292,878	(63,794,950)	-	54,497,928		
Contract assets	--	63,780,642	-	63,780,642		
Held-for-sale financial assets	4,410,495	-	(4,410,495)	--		
Other equity instrument investment	--	-	2,026,098	2,026,098		
Other non-current financial assets	--	-	2,384,397	2,384,397	N/A	None
Total effect on assets	217,107,832	(98,621)	-	217,009,211		
Receipts in advance	43,861,424	(43,804,433)	-	56,991		
Contract liabilities	--	43,981,018	-	43,981,018		
Taxes payable	3,428,721	(3,322)	-	3,425,399		
Total effect on liabilities	47,290,145	173,263	-	47,463,408		
Other comprehensive income	5,218	-	(95,032)	(89,814)		
Retained profits	20,007,920	(238,258)	95,032	19,864,694		
Non-controlling interests	14,820,652	(33,626)	-	14,787,026		
Total effect on shareholders' equity	34,833,790	(271,884)	-	34,561,906		

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(1) Changes in significant accounting policies (Continued)

Changes in accounting policies and reasons	Approval procedure	Remarks
Effects of the revised format of financial statements on the Group		
<p>The financial statements have been prepared by the Group in accordance with the <i>Notice of the Revised Format of Financial Statements for General Business Enterprise in 2018</i> (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by the MoF on 15 June 2018.</p> <p>Compared with the old format of financial statements, Cai Kuai No.15 Document has the major changes as below, in addition to the above-mentioned effects on the items relating to revenue and financial instruments under the new standards.</p>		
<p>(a) In the Balance Sheet, the original items of "Bills receivable" and "Accounts receivable" are incorporated into the new item of "Bills receivable and accounts receivable"; the original items of "Interest receivable" and "Dividends receivable" are incorporated into "Other Receivables"; the original item of "Engineering materials" is incorporated into "Construction in progress"; the original items of Bills payable" and "Accounts payable" are incorporated into the new item of "Bills payable and accounts payable"; the original items of "Interest payable" and "Dividends payable" are incorporated into the item of "Other payables"; and the original item of "Special payable" is incorporated into "Long-term payables".</p>	N/A	None
<p>(b) In the Income Statement, the original item of "Administrative expenses" shall not cover the expensed expenditure incurred in the process of research and development, which is presented separately under the new item of "Research and development expenses"; line items "Including: Interest expenses and Interest income" are added to "Financial expenses"; the positions of the items "Other income", "Investment income", "Gains from changes in fair value" and "Income from disposal of assets" are adjusted; and the description of specific items within "Other comprehensive income" are simplified.</p>		
<p>The Group has accounted for the changes in the items listed above retrospectively and made adjustments to the financial statements of comparable periods.</p>		

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates (Continued)

(2) Changes in significant accounting estimates

Applicable Not Applicable

During the reporting period, there were no important changes in accounting estimate.

VI. TAXATION

1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	VAT payable (VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current year)	3%, 5%, 6%, 10%, 11%, 16% and 17% (Note)
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: According to the *Circular on Adjustment of Value-added Tax Rate* ("Caishui [2018] No. 32") issued by the MoF and the State Administration of Taxation, business originally applicable to the VAT rate of 17% and 11% will be applicable to the rate of 16% and 10% respectively since 1 May 2018.

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

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*

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 Namibia Co., Ltd. (formerly named as "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.	31%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Australia (Brisbane) Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
China First Metallurgical Construction Malaysia Co., Ltd.	28%
China ENFI (Chile) SAS	25.5%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Construction Engineering (Malaysia) 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%

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
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 Operation Co., Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	10%
MCC Vietnam Engineering and Technology Company Ltd.	10%
China MCC 20 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%

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., CISDI Equipment Co., Ltd (formerly named as “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.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

(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., Beijing Jinwei Soldering Material Co., Ltd., Ma'anshan MCC 17 Engineering Science & Technology Co., Ltd., CERI Colin Environmental Protection Technology Co., Ltd., CERI (Yangzhou) Machinery Co., Ltd. and Shen Kan (Qinhuangdao) General Engineering Design & Research Institute Corporation, MCC have been levied at a preferential tax rate of 15% from 2015 to 2018.
- (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., 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 Heavy Industry Technology Co., Ltd. and Tianjin Xinbin Engineering Technology Detection 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., 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, MCC Communication Construction Group Co., Ltd. WISDRI (Wuhan) Automation Co., Ltd., WISDRI (WUHAN) Thermotechnology Co., Ltd. (formerly named as "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, 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, China silicon Co., Ltd. and Panzhihua Tianyu Engineering Detection Co.,Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2019.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (d) Hunan Hetian Engineering Project Management Co., Ltd., CCTEC Engineering Co., Ltd., CISDI Engineering Co., Ltd. and Shanghai Baoye Group Corp. Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2020.

(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 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., Fuzhou City Changle District MCC 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.

Among them, 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 12.5%. The preferential policy of Fuzhou City Changle District MCC Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. has come into effect in 2016 and the applicable tax rate for the current period was 0%.

- (b) According to the Item 3 of Article 27 of *the Law of the People's Republic of China on Enterprise Income Tax as well as Article 87 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*, following examination and approval by the tax authorities, 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.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (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.

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 Income Tax Policies for Small and Low-Profit Enterprises* ("Caishui [2015] No.34"), *Circular on Expanding the Scope of Preferential Income Tax Policies for Small and Low-Profit Enterprises* ("Caishui [2017] No. 43"), 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., Chongqing MCC Property Management Co., Ltd., MCC Central Research Institute of Jilin and Construction Property Management 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., China MCC International Economic and Trade (Beijing) Co., Ltd., and MCC Real Estate Service Co., Ltd. met the standards of Small and Low-Profit Enterprises for 2018, 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 2018.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (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., China MCC 20 Group Co., Ltd. and CISDI Construction Municipal Design Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2018.

- (h) According to the relevant 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., 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., 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) 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 Hunan Hetian Engineering Project Management Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2018.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (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 Zhongtou 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 Zhongtou 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.

- (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%.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (m) According to “Caishui [2013] No.37” issued by the State Administration of Taxation, the technology development business income of Beijing ENFI Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2018. 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 2018. 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 2018.
- (n) According to the *Circular on Preferential Policies on Tax Rate for Public Rental Housing* (“Caishui [2015] No.139”) issued by the MoF and the State Administration of Taxation, Beijing Steel Research Design Institute Co., Ltd. was exempted from property tax on the enterprise’s public rental housing in 2018. Hebei MCC Mingrun Real Estate Development Co., Ltd. was exempted from land use tax on the enterprise’s public rental housing in 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 2018. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax in 2018.
- (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 2018.
- (q) According to the “Caishui [2008] No.48” issued by the MoF and the State Administration of Taxation, if the enterprise purchases and actually uses the specially-purposed equipment for environment protection, energy and water saving and safety production included in the list since 1 January 2018, 10% of the invested amounts for the specially-purposed equipment can be used to deduct the taxable amount; if it is not enough to deduct the enterprise’s taxable amount, it can be carried forward to the subsequent years, but the period shall not exceed 5 taxpaying years.

Xiangyang ENFI Environment Protection and Energy Co., Ltd. enjoyed the above preferential policies from 2014 to 2018.

- (r) According to the *Tax Policies on Education* (“Cai Shui [2004] No.39”) issued by the MoF and the State Administration of Taxation, MCC Capital Real Estate (Yan tai) Co., Ltd. enjoyed preferential policies of exemption of deed tax, cultivated land occupancy tax, land use tax and property tax for the land used by the school in 2018.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Cash	25,844	21,757
Bank deposits	36,267,062	34,846,002
Other cash and bank balances	10,131,188	8,725,863
Total	46,424,094	43,593,622
Including: Total amount of deposits abroad	2,328,619	3,068,056

As at 30 June 2018, restricted cash and bank balances was RMB7,656,158,000(as at 31 December 2017: RMB7,129,488,000) (in Note VII 62),which mainly including deposits for issuing bills and statutory deposit reserve at the central bank, etc.

2. Financial assets held for trading

All amounts in RMB'000

Item	30 June 2018
Financial assets at FVTPL	1,857,671
Including: Monetary funds	1,856,416
Equity instruments held for trading	1,255
Total	1,857,671

The fair values of financial assets held for trading are based on their prices of publicly traded market on the last trading date of the six months ended 30 June 2018.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills and accounts receivable

(1) Presentation of bills and accounts receivable

All amounts in RMB'000

Item	30 June 2018	31 December 2017
Bills receivable	21,535,544	20,757,246
Accounts receivable	70,259,457	73,495,762
Total	91,795,001	94,253,008

(2) Bills receivable

(a) Bills receivable analyzed by category

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Bank acceptance bills	11,255,142	10,442,605
Commercial acceptance bills	10,280,402	10,314,641
Total	21,535,544	20,757,246

(b) Pledged bills receivable at the 30 June 2018

All amounts in RMB'000

Items	Amount pledged as at the 30 June 2018
Bank acceptance bills	2,330,007
Commercial acceptance bills	16,000
Total	2,346,007

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills and accounts receivable (Continued)

(2) Bills receivable (Continued)

(c) *Bills receivable endorsed to other parties or discounted but not yet due at the end of the period*

As at 30 June 2018, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB10,527,957,000 (31 December 2017: RMB10,337,657,000), among which the amount derecognized was RMB10,217,295,000 (31 December 2017: RMB10,022,867,000). 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 RMB310,662,000 (31 December 2017: RMB314,790,000). 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.

(d) Bills receivable with title restriction as at 30 June 2018 are set out in Note VII 62.

(3) Accounts receivable

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

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	48,174,973	47,995,543
1 to 2 years	12,138,359	13,237,639
2 to 3 years	7,432,980	8,988,947
3 to 4 years	6,000,110	6,260,796
4 to 5 years	3,469,581	4,523,345
Over 5 years	6,818,673	5,695,711
Total book value	84,034,676	86,701,981
Less: provisions for bad debts	13,775,219	13,206,219
Carrying amount	70,259,457	73,495,762

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions.

(b) Provision for bad debts for the current period was RMB821,191,000, recovered or reversed bad debts were RMB103,634,000.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills and accounts receivable (Continued)

(3) Accounts receivable (Continued)

(c) Accounts receivable written off for the current period were RMB142,733,000.

(d) The top 5 largest accounts receivable at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2018	As a percentage of total accounts receivable (%)	Bad debt provision on 30 June 2018
Party 1	Third party	2,627,883	3.13	428,843
Party 2	Third party	1,624,530	1.93	186,535
Party 3	Third party	1,620,297	1.93	–
Party 4	Third party	1,563,054	1.86	899,400
Party 5	Third party	1,230,942	1.46	341,739
Total	/	8,666,706	10.31	1,856,517

(e) As at 30 June 2018, 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 2017: nil).

(f) Accounts receivable with title restriction as at 30 June 2018 are set out in Note VII 62.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Prepayments

(1) Aging analysis of prepayments

All amounts in RMB'000

Aging	30 June 2018		31 December 2017	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	14,506,624	73.90	13,979,686	72.69
1 to 2 years	1,931,378	9.84	1,882,294	9.79
2 to 3 years	1,193,286	6.08	1,690,127	8.79
Over 3 years	1,998,382	10.18	1,677,898	8.73
Total	19,629,670	100.00	19,230,005	100.00

As at 30 June 2018, prepayments aged over one year were RMB5,123,046,000 (31 December 2017: RMB5,250,319,000), mainly including prepaid land lease payments and prepaid construction costs to sub-contractors.

(2) The five largest prepayments at 30 June 2018

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2018	As a percentage of total prepayments (%)
Party 1	Third Party	577,164	2.94
Party 2	Third Party	550,000	2.80
Party 3	Third Party	380,684	1.94
Party 4	Third Party	361,292	1.84
Party 5	Third Party	311,640	1.59
Total	/	2,180,780	11.11

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	39,443,076	29,025,018
1 to 2 years	7,160,119	5,252,298
2 to 3 years	2,986,765	6,436,118
3 to 4 years	2,913,903	2,324,510
4 to 5 years	1,359,778	1,211,934
Over 5 years	1,676,218	1,241,085
Total book value	55,539,859	45,490,963
Less: provisions for bad debts	4,343,814	4,091,561
Carrying amount	51,196,045	41,399,402

(2) Provision for bad debts for the current period was RMB263,580,000, recovery or reversal of bad debts were RMB0.00.

(3) Other receivables written off for the current period were RMB11,476,000.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(4) Other receivables categorized by nature

All amounts in RMB'000

Nature of other receivable	30 June 2018	31 December 2017
Guarantee deposits	26,183,359	21,056,030
Loan receivables from related parties and third parties	19,514,752	16,762,523
Advance to employees	449,000	392,759
Receivables on disposal of investments	3,221,200	3,680,585
Advance money and others	6,121,548	3,599,066
Total	55,539,859	45,490,963

(5) The top 5 largest other receivables at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	30 June 2018	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the period 30 June 2018
Party 1	Joint venture	Loan receivables from related parties	3,554,720	Within 1 year	6.40	–
Party 2	Joint venture	Loan receivables from related parties	2,722,445	Within 1 year	4.90	–
Party 3	Third Party	Receivables on disposal of investments	2,322,943	Within 4 years	4.18	–
Party 4	Joint venture	Loan receivables from related parties	1,897,299	Within 1 year	3.41	–
Party 5	Associate	Loan receivables from related parties	1,872,177	Within 4 years	3.38	424,553
Total	/	/	12,369,584	/	22.27	424,553

(6) As at 30 June 2018, 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 2017: nil).

Applicable Not Applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

(1) Categories

All amounts in RMB'000

Items	30 June 2018			31 December 2017		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	2,852,741	54,285	2,798,456	2,721,005	54,582	2,666,423
Materials procurement	77,590	–	77,590	143,415	–	143,415
Outsourced processing materials	16,356	–	16,356	21,023	–	21,023
Work in progress	2,644,432	44,541	2,599,891	2,352,402	111,640	2,240,762
Finished goods	2,219,950	157,324	2,062,626	2,234,468	145,892	2,088,576
Other materials	573,122	8,231	564,891	562,548	8,231	554,317
Contract costs	36,227	–	36,227	--	--	--
Gross amount due from contract customers	--	--	--	65,571,822	1,753,829	63,817,993
Properties under development (a)	42,342,890	107,838	42,235,052	36,134,641	111,106	36,023,535
Completed properties held for sale (b)	9,868,316	401,476	9,466,840	10,976,740	239,906	10,736,834
Total	60,631,624	773,695	59,857,929	120,718,064	2,425,186	118,292,878

Note: Inventories with title restriction are set out in Note VII 62.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	31 December 2017	30 June 2018
Nanjin Xiaguanbin River Project	2011-01-01	2020-04-30	16,728,279	9,108,494	9,364,493
MCC Potong Pasir Apartment Project	2015-06-30	2018-09-30	3,694,302	3,396,842	3,531,325
Hangzhou Santang Project	2017-12-20	2019-07-31	7,460,040	10,589	2,368,085
MCC Tongluo Town	2014-11-01	2020-12-31	3,500,000	2,084,189	2,189,746
Shijiazhuang MCC Dexian Mansion	2016-05-18	2019-12-31	6,181,990	–	2,099,124
Hangzhou Cuiyuan	2017-11-20	2019-05-31	3,730,040	17,436	1,875,216
MCC Port Base Project	2015-03-01	2018-12-31	5,499,735	1,558,010	1,813,474
MCC 39 Street Project	2017-05-15	2023-12-31	2,639,749	2,085,633	1,797,665
Singapore Tampines Apartment Project Block D	2015-10-01	2019-09-30	2,008,581	1,581,445	1,682,924
Tianjin Xinbadali District Qixianli Project	2014-12-25	2018-12-31	8,488,610	3,319,057	1,611,167
Qin Hai Yun Villa Project	2011-08-08	2018-12-31	4,400,000	1,328,243	1,480,676
Baotou MCC Campus South Road Community Project	2011-08-01	2019-12-31	4,100,000	1,307,737	1,236,250
Guangdong, Zhuhai, Hengqin New City Headquarters building II	2016-12-01	2019-11-30	9,309,159	1,018,637	1,163,568
MCC Xinglong New City Hongshijun	2017-12-20	2023-12-31	16,700,000	2,044	1,054,674
Tangshan Fengrun Gengyang New City Project	2010-03-01	2022-12-31	10,550,000	1,038,078	1,003,282
Hong Kong Quanwan Project	2013-12-06	2018-12-31	1,172,030	817,597	977,925
MCC Riverside Project I & II	2013-12-31	2019-12-31	1,423,330	429,894	493,826
Holiday Resort of Baizhi Mountain of MCC	2014-04-01	2024-04-01	4,000,000	293,042	389,266
MCC Shanghewan Project	2015-05-01	2018-12-15	618,030	352,359	381,736
Shanghai Jinshan District – MCC Fengjunyuan Project II	2015-12-31	2019-07-30	590,516	362,092	364,990
Taihang Street Project	2010-04-01	2018-12-31	2,672,858	314,663	318,211
The Great Wall Shilichunfeng Project	2018-03-03	2020-12-31	2,500,000	–	308,441
Zhenjiang Yucui Garden Project	2014-06-01	2019-06-30	1,317,242	270,930	293,557
Ma'anshan, Zhongdingyue City Project	2011-09-08	2018-09-01	1,742,079	247,907	289,724
Hebei, Qinhuangdao, Yudaiwan Project	2008-12-23	2019-12-31	3,675,070	419,608	288,217
Hubei Huangshi MCC Huangshi Garden Project II	2015-01-01	2018-12-31	1,351,899	254,805	269,109
MCC Shanghe Residence Project	2014-06-20	2018-12-31	867,232	220,398	231,620
Others	/	/	53,754,975	4,294,912	3,464,599
Total	/	/	180,675,746	36,134,641	42,342,890

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (Continued)

(1) Categories (Continued)

(b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Completion date	31 December 2017	Increase in the current period	Decrease in the current period	30 June 2018
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	1,311,259	–	55,413	1,255,846
Tianjin XinBadali District Qixianli Project	2018-06-21	768,307	2,175,656	1,921,788	1,022,175
Qin Hai Yun Villa Project	2017-12-31	682,262	–	134,388	547,874
Dalian International Business City	2014-12-31	574,464	–	61,811	512,653
Chongqing Dadukou MCC International City Project	2017-12-31	630,007	–	127,214	502,793
Tangshan Wutong Road Project	2012-10-31	461,152	–	–	461,152
MCC 39th Avenue Project	2018-06-21	–	320,110	–	320,110
Heilongjiang Qiqihar, Longsha District New Century Plaza Project	2013-12-30	308,493	6,462	23,392	291,563
Guangdong, Zhuhai, Hengqin New City Headquarters building I	2016-06-30	290,268	–	–	290,268
Anshan Yuluanwan Project II	2014-10-30	283,060	–	14,721	268,339
Anshan Yuluanwan Project III	2016-12-31	243,334	–	2,366	240,968
Ma'an shan, Zhongdingyue City Project	2015-12-31	243,802	–	4,853	238,949
Xi'an Chang'an MCC Dadu Phase 2	2017-12-31	304,029	18,073	98,856	223,246
Tangshan Heliangongfang District Rebuilding Project	2012-06-30	220,099	–	–	220,099
Chongqing MCC Chongqing Morning Project	2012-12-28	212,073	1,885	–	213,958
Baotou MCC Campus South Road Community Project	2018-06-30	302,923	204,416	300,344	206,995
Others	/	4,141,208	2,448,603	3,538,483	3,051,328
Total	/	10,976,740	5,175,205	6,283,629	9,868,316

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

Items	31 December 2017	Adjustment due to changes in accounting policies	01 January 2018	Increase		Decrease			30 June 2018
				Provision	Others	Reversals	Write-offs	Others	
Raw materials	54,582	-	54,582	287	-	-	584	-	54,285
Work in progress	111,640	-	111,640	2,282	-	-	-	69,381	44,541
Finished goods	145,892	-	145,892	4,718	69,381	605	62,062	-	157,324
Other materials	8,231	-	8,231	-	-	-	-	-	8,231
Gross amount due from contract customers	1,753,829	(1,753,829)	-	-	-	-	-	-	-
Properties under development	111,106	-	111,106	-	-	3,268	-	-	107,838
Completed properties held for sale	239,906	-	239,906	207,725	-	288	45,867	-	401,476
Total	2,425,186	(1,753,829)	671,357	215,012	69,381	4,161	108,513	69,381	773,695

(3) As at 30 June 2018, the total borrowing costs capitalized in properties under development were RMB4,869,861,000 (as at 31 December 2017: RMB4,493,693,000). Borrowing costs capitalized during the period ended 30 June 2018 amounted to RMB611,945,000 (for the period ended 30 June 2017: RMB709,489,000). The capitalization rates of borrowing costs were from 2.80% to 8.50% (for the period ended 30 June 2017: from 2.30% to 6.15%).

(4) The amortization of contract costs amounted to RMB39,887,000 for the current period.

7. Contract Assets

(1) Presentation of contract assets

All amounts in RMB'000

Item	30 June 2018		Carrying amount
	Book value	Provision for impairment	
Contract assets relating to engineering contracting services	71,834,201	1,803,491	70,030,710
Total	71,834,201	1,803,491	70,030,710

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Contract Assets (Continued)

(2) Provision for impairment of contract assets

All amounts in RMB'000

Item	31 December 2017	Adjustment due to changes in accounting policies	01 January 2018	Increase		Decrease			30 June 2018
				Provision	Others	Reversals	Write-offs	Others	
Provision for impairment of contract assets relating to engineering contracting services	-	1,753,829	1,753,829	50,073	75	-	486	-	1,803,491
Total	-	1,753,829	1,753,829	50,073	75	-	486	-	1,803,491

(3) Qualitative analysis on contract assets

The engineering contracting services provided by the Group normally constitute the single performance obligation, which require to be fulfilled in a certain period. The Group shall determine the implementation progress according to the proportion of actual cost in estimated total cost (cost method). Engineering contracting services require regular settlement with the client, and the related contract consideration vests the Group the right to charge the consideration, which will be listed on receivables, to the client unconditionally after the completion of settlement. Under normal circumstances, there are some timing differences between the implementation progress and the settlement progress in engineering contracting. As at 30 June 2018, implementation progress of part of contracts exceeded the settlement progress, thus formed related contract assets, which transfer into receivables after the completion of settlement.

(4) Western Australia SINO Iron Mining Project

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.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Contract Assets (Continued)

(4) Western Australia SINO Iron Mining Project (Continued)

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

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, 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. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 30 June 2018.

On 30 June 2018, the contract assets of the project mentioned above amounted to RMB3,539,949,000. 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.

8. Non-current assets due within one year

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Long term receivables due within one year (Note VII10)	2,042,772	2,171,927
Total	2,042,772	2,171,927

9. Other current assets

All amounts in RMB'000

Items	30 June 2018	31 December 2017
VAT debit balance	3,614,196	2,701,741
Prepayments of enterprise income tax	563,193	534,911
Total	4,177,389	3,236,652

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

Items	30 June 2018			31 December 2017			
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	Range of discount rate
Receivables on project	18,903,632	969,150	17,934,482	15,847,773	959,733	14,888,040	
Loans to related parties and third parties	3,353,979	–	3,353,979	8,600,229	–	8,600,229	4.35%-4.90%
Receivables on disposal of equity investments	333,485	–	333,485	333,485	–	333,485	
Others (a)	1,854,112	–	1,854,112	1,891,351	–	1,891,351	
Total	24,445,208	969,150	23,476,058	26,672,838	959,733	25,713,105	/
Including: Long term receivables due within one year	2,055,672	12,900	2,042,772	2,183,552	11,625	2,171,927	/
Long term receivables due over one year	22,389,536	956,250	21,433,286	24,489,286	948,108	23,541,178	/

- (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.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Long-term receivables (Continued)

(1) Long-term receivables (Continued)

(a) (Continued)

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

In 2015, the PNG Parties informed Ramu NiCo that they would acquire 15% beneficial interests in the Project, effective from 1 January 2015. The two parties agreed the historical project development costs borne by the PNG Parties would be USD190 million, which was accounted for as long-term receivables by the Group, and the construction costs of the Project reduced by the same amount correspondingly. This payment would be settled by the PNG Parties to the Group from a certain proportion of the future sales of the products of the Project by the PNG Parties. The outstanding long-term receivable from the PNG Parties by the Group is interest-bearing at a rate agreed by the PNG Parties and the Group. Meanwhile, the PNG Parties would bear 15% of the Project operation costs. As such, from 1 January 2015 onward, the proportion of the mineral products shared by Ramu NiCo would be reduced to 85%. The Group will enjoy 85% of the revenue and shared 85% of the operation costs of the Project accordingly. As at 30 June 2018, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1.26 billion (as at 31 December 2017, the long-term receivables amounted to approximately RMB1.24 billion).

(2) At 30 June 2018, the Group had no long-term receivables transferred and derecognized in prior years due to the service contract entered into with the transferring party for providing the subsequent payment collection service.

Applicable Not Applicable

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term equity investments

All amounts in RMB'000

Company name	31 December 2017	Movements during the current period							30 June 2018	30 June 2018 of bad debt 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 period			Others
1. Joint ventures											
Guizhou Sanli Highway Construction Co., Ltd. (Note IX(1)(b))	646,677	174,843	-	-	-	-	-	-	-	821,520	-
Guizhou Ziwang Highway Construction Co., Ltd. (Note IX(1)(b))	522,593	166,534	-	-	-	-	-	-	-	689,127	-
Guizhou Sanshi Highway Construction Co., Ltd. (Note IX(1)(b))	330,717	288,904	-	-	-	-	-	-	-	619,621	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (Note IX(1)(b))	243,785	-	-	-	-	-	-	-	-	243,785	-
Jilin City Jicheng Hada Pipe Gallery Investment Operation Co., Ltd.	186,033	-	-	(216)	-	-	-	-	-	185,817	-
Others	1,387,884	172,848	12,889	(46,683)	6	-	-	(146,170)	-	1,380,774	211,060
Subtotal	3,317,689	803,129	12,889	(46,899)	6	-	-	(146,170)	-	3,940,644	211,060
2. Associates											
Tianjin SERI Machinery Equipment Corporation Ltd.	721,170	-	-	(26,697)	-	-	-	-	-	694,473	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	416,970	-	-	51,018	-	-	-	-	-	467,988	-
Nanjing Ming's Culture Co., Ltd.	298,346	-	-	(7,320)	-	-	-	-	-	291,026	-
Tianjin Tuanbo Urban Development Co., Ltd.	231,058	-	-	225	-	-	-	-	-	231,283	-
Yuxi Dongye Sponge City Construction and Operation Co., Ltd.	200,145	-	-	-	-	-	-	-	-	200,145	-
Others	3,730,688	1,477,792	-	(29,138)	20	-	(680)	-	(2,400)	5,176,282	56,731
Subtotal	5,598,377	1,477,792	-	(11,912)	20	-	(680)	-	(2,400)	7,061,197	56,731
Total	8,916,066	2,280,921	12,889	(58,811)	26	-	(680)	(146,170)	(2,400)	11,001,841	267,791

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Investments in other equity instruments

(1) Investments in other equity instruments

All amounts in RMB'000

Item	30 June 2018	Cash dividends for the period
Tangshan Stainless Steel Co., Ltd. (Note IX 2(1)(a)(ii))	645,000	—
Chongqing Qian Xin International Trade Co., Ltd	300,000	4,395
Bank of Communications Co., Ltd.	243,596	—
Chongqing iron & steel company limited	116,842	—
Kaidi Ecological And Environmental Technology Co., Ltd.	100,588	—
Others	502,748	838
Total	1,908,774	5,233

(2) For the period ended 30 June 2018, the loss on disposal of investment in other equity instruments amounting to RMB11,515,000 is transferred from other comprehensive income to retained earnings.

13. Other non-current financial assets

All amounts in RMB'000

Item	30 June 2018
Financial assets at FVTPL	2,810,609
Including: investment in unquoted fund product	2,810,609
Total	2,810,609

The fair value of unquoted fund product is determined using cash flow discounting with the average market yield rate of the same type of products for the same period.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
I. Total original book value			
1. 31 December 2017	3,553,772	558,829	4,112,601
2. Increase	2,587,346	10,211	2,597,557
(1) Purchase or constructed	1,682,135	–	1,682,135
(2) Transferred from fixed assets/intangible assets	11,259	10,211	21,470
(3) Transferred from inventories	886,544	–	886,544
(4) Transferred from construction in progress	616	–	616
(5) Others	6,792	–	6,792
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. 30 June 2018	6,141,118	569,040	6,710,158
II. Total accumulated depreciation and amortization			
1. 31 December 2017	628,317	98,168	726,485
2. Increase	45,585	8,987	54,572
(1) Depreciation or amortization	37,592	6,030	43,622
(2) Transferred from fixed assets or construction in progress	7,717	2,957	10,674
(3) Others	276	–	276
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. 30 June 2018	673,902	107,155	781,057
III. Total accumulated impairment provision			
1. 31 December 2017	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. 30 June 2018	–	–	–
IV. Total carrying amount			
1. 30 June 2018	5,467,216	461,885	5,929,101
2. 31 December 2017	2,925,455	460,661	3,386,116

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investment properties (Continued)

- (2) As at 30 June 2018, the investment properties include buildings with the carrying amount of about RMB270,309,000 (original book value of RMB310,671,000) for which the title certificates were not obtained by the Group (31 December 2017: carrying amount of RMB306,321,000 and original book value of RMB310,671,000).

All amounts in RMB'000

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	270,309	In process

- (3) Investment properties with title restriction as at 30 June 2018 are set out in Note VII 62.

15. Fixed assets

(1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
I. Total historical cost:					
1. 31 December 2017	21,997,195	22,770,266	2,196,072	3,385,511	50,349,044
2. Increase	270,523	217,065	150,664	155,673	793,925
(1) Purchase	147,095	126,688	63,061	78,829	415,673
(2) Acquisition of subsidiaries	-	-	501	436	937
(3) Transferred from construction in progress	57,937	78,577	4,233	5,167	145,914
(4) Others	65,491	11,800	82,869	71,241	231,401
3. Decrease	112,739	182,658	68,501	71,663	435,561
(1) Disposal or written-off	45,268	103,351	53,889	25,907	228,415
(2) Disposal of subsidiaries	21,355	33,433	937	9,988	65,713
(3) Transferred to investment properties	11,259	-	-	-	11,259
(4) Transfer to construction in progress	161	-	-	-	161
(5) Others	34,696	45,874	13,675	35,768	130,013
4. 30 June 2018	22,154,979	22,804,673	2,278,235	3,469,521	50,707,408

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(1) Fixed assets (Continued)

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
II. Total accumulated depreciation					
1. 31 December 2017	5,748,886	11,491,901	1,439,897	1,326,805	20,007,489
2. Increase	387,164	801,215	83,053	135,347	1,406,779
(1) Depreciation	370,761	732,314	77,929	92,407	1,273,411
(2) Others	16,403	68,901	5,124	42,940	133,368
3. Decrease	77,699	140,904	53,410	84,372	356,385
(1) Disposal or written-off	35,420	96,810	39,687	22,975	194,892
(2) Disposal of subsidiaries	3,897	27,922	543	9,364	41,726
(3) Transferred to investment properties	7,717	-	-	-	7,717
(4) Transfer to construction in progress	7	-	-	-	7
(5) Others	30,658	16,172	13,180	52,033	112,043
4. 30 June 2018	6,058,351	12,152,212	1,469,540	1,377,780	21,057,883
III. Total impairment provision					
1. 31 December 2017	563,743	1,043,145	21,455	109,714	1,738,057
2. Increase	121,469	160,855	385	6,526	289,235
(1) Provision	118,593	156,584	221	5,178	280,576
(2) Others	2,876	4,271	164	1,348	8,659
3. Decrease	8,829	2,838	4,297	799	16,763
(1) Others	8,829	2,838	4,297	799	16,763
4. 30 June 2018	676,383	1,201,162	17,543	115,441	2,010,529
IV. Total carrying amount of fixed assets					
1. 30 June 2018	15,420,245	9,451,299	791,152	1,976,300	27,638,996
2. 31 December 2017	15,684,566	10,235,220	734,720	1,948,992	28,603,498

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	80,561	9,543	67,467	3,551	Seasonal suspension or idle
Machinery and equipment	168,218	57,175	67,771	43,272	Seasonal suspension or idle
Other equipment	2,338	1,992	234	112	Seasonal suspension or idle

(3) Fixed assets under finance leases

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	865,170	520,229	–	344,941

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	41,982
Transportation vehicles	22,341

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

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

Buildings and structures with an aggregate carrying amount of RMB315,645,000 (historical cost: RMB372,988,000) as at 30 June 2018 (as at 31 December 2017: carrying amount of RMB320,297,000; historical cost of RMB372,988,000) 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.	163,597	In process
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	137,060	In process
The office building of China Huaye Group Co., Ltd. in Beijing	14,988	In process

(6) Fixed assets with title restriction as at 30 June 2018 are set out in Note VII62.

(7) The total depreciation of the Group's fixed assets amounted to RMB1,273,411,000 (for the period ended 30 June 2017: RMB1,307,177,000) for the current period, of which RMB915,065,000, RMB8,951,000, 238,290,000 and RMB39,702,000 were charged to cost of sales, selling expenses, administrative expenses and research & development expenses, respectively (for the period ended 30 June 2017: RMB979,204,000, RMB8,711,000, RMB245,407,000 and RMB38,436,000). The amount of depreciation of the Group's fixed assets which was charged to inventories amounted to RMB71,403,000 (for the period ended 30 June 2017: RMB35,419,000).

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Fixed assets (Continued)

(8) Impairment provision for fixed assets was RMB2,010,529,000 as at 30 June 2018 (as at 31 December 2017: RMB1,738,057,000).

- (a) As the market price of poly-silicon remained low, certain items of fixed assets of China Silicon Co., 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 2017, based on the impairment assessment, the accumulated impairment provision for the fixed assets of China Silicon amounted to RMB486,109,000. As at 30 June 2018, 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 12.79% (for the year ended 31 December 2017:12.46%), and made no extra impairment provision for current period (for the period ended 30 June 2017: nil). The fixed assets of China Silicon belong to the resource development segment.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress

(1) Construction in progress

All amounts in RMB'000

Items	30 June 2018			31 December 2017		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	1,017,039	–	1,017,039	992,216	–	992,216
Duddar lead-zinc project	811,260	603,202	208,058	804,570	603,202	201,368
CISDI Chengdu Research and Design Center	209,766	–	209,766	208,935	–	208,935
Project in transforming steel slag line into cement production line	185,477	–	185,477	185,477	–	185,477
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	124,041	–	124,041	90,030	–	90,030
Fucheng International Office House	102,350	–	102,350	96,794	–	96,794
Hunnan District Technology Research Center	56,105	–	56,105	48,421	–	48,421
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	44,666	–	44,666	1,186	–	1,186
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	43,125	–	43,125	2,321	–	2,321
Development and industrialization of high-level purity electronic polysilicon	39,488	–	39,488	24,722	–	24,722
Others	1,158,191	9,786	1,148,405	1,050,913	11,353	1,039,560
Total	3,791,508	612,988	3,178,520	3,505,585	614,555	2,891,030

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Construction in progress (Continued)

(2) Movements of the significant items of construction in progress

All amounts in RMB'000

Items	Budgeted amount	31 December 2017	Increase	Transfer to fixed assets/ investment properties	Other changes	30 June 2018	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current period	Latest rate of borrowing costs capitalized for the current period (%)	Sources of fund
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	23,707,278	992,216	24,823	-	-	1,017,039	19.45	19.45	-	-	-	Self-raised funds
Duddar lead-zinc project	1,116,845	804,570	41,428	(34,738)	-	811,260	87.98	87.98	18,445	2,955	5.00	Self-raised funds & loan from financial institutions
CISDI Chengdu Research and Design Center	766,550	208,935	831	-	-	209,766	27.36	27.36	-	-	-	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
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	90,030	34,011	-	-	124,041	12.40	12.40	1,289	1,289	6.64	Self-raised funds & loan from financial institutions
Fucheng International Office House	105,270	96,794	5,556	-	-	102,350	97.23	97.23	-	-	-	Self-raised funds
Hunnan District Technology Research Center	62,100	48,421	7,684	-	-	56,105	90.35	90.35	-	-	-	Self-raised funds
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	380,000	1,186	43,480	-	-	44,666	11.75	11.75	-	-	-	Self-raised funds
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	80,000	2,321	40,804	-	-	43,125	54.00	54.00	-	-	-	Self-raised funds
Development and industrialization of high-level purity electronic polysilicon	280,000	24,722	14,766	-	-	39,488	14.10	14.10	-	-	-	Self-raised funds
Others	11,240,068	1,050,913	227,200	(111,792)	(8,130)	1,158,191	/	/	12,520	5,733	/	/
Total	38,926,943	3,505,585	440,583	(146,530)	(8,130)	3,791,508	/	/	32,254	9,977	/	/

- (3) The Group made RMB137,000 impairment provision for construction in progress for the current period (for the period ended 30 June 2017: 2,211,000). As at 30 June 2018, the balance of the impairment provision for construction in progress of the Group was RMB612,988,000 (as at 31 December 2017: RMB614,555,000).

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. 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
I. Total historical cost:							
1. 31 December 2017	7,364,577	4,087,333	8,839,951	560,812	67,864	270	20,920,807
2. Increase	588	18,927	126,937	18,882	12,917	-	178,251
(1) Purchase	-	1,910	126,937	17,834	3,740	-	150,421
(2) Acquisition of subsidiaries	-	-	-	162	-	-	162
(3) Others	588	17,017	-	886	9,177	-	27,668
3. Decrease	27,014	118,171	6,832	6,516	10	-	158,543
(1) Disposal	7,111	-	-	-	-	-	7,111
(2) Disposal of subsidiaries	-	-	-	67	-	-	67
(3) Transfer to investment properties	10,211	-	-	-	-	-	10,211
(4) Others	9,692	118,171	6,832	6,449	10	-	141,154
4. 30 June 2018	7,338,151	3,988,089	8,960,056	573,178	80,771	270	20,940,515
II. Total accumulated amortization							
1. 31 December 2017	1,306,177	53,995	1,004,710	403,292	40,181	270	2,808,625
2. Increase	76,536	1,453	125,205	24,324	1,432	-	228,950
(1) Amortization	76,536	1,365	125,205	24,204	1,432	-	228,742
(2) Others	-	88	-	120	-	-	208
3. Decrease	6,428	-	4,253	6,500	-	-	17,181
(1) Disposal	1,486	-	-	-	-	-	1,486
(2) Disposal of subsidiaries	-	-	-	57	-	-	57
(3) Transfer to investment properties	2,957	-	-	-	-	-	2,957
(4) Others	1,985	-	4,253	6,443	-	-	12,681
4. 30 June 2018	1,376,285	55,448	1,125,662	421,116	41,613	270	3,020,394
III. Total impairment provision							
1. 31 December 2017	47,634	2,640,573	-	9	4,783	-	2,692,999
2. Increase	333,194	-	-	29	-	-	333,223
(1) Provision	332,892	-	-	29	-	-	332,921
(2) Others	302	-	-	-	-	-	302
3. Decrease	8,388	118,854	-	11	-	-	127,253
(1) Others	8,388	118,854	-	11	-	-	127,253
4. 30 June 2018	372,440	2,521,719	-	27	4,783	-	2,898,969
IV. Carrying amount of intangible assets							
1. 30 June 2018	5,589,426	1,410,922	7,834,394	152,035	34,375	-	15,021,152
2. 31 December 2017	6,010,766	1,392,765	7,835,241	157,511	22,900	-	15,419,183

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Intangible assets (Continued)

(1) Intangible assets (Continued)

As at 30 June 2018, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.05% (31 December 2017: 0.05%).

(2) The Group made no extra impairment provision of Cape Lambert Iron Project owned by the Group for the current year. As at 30 June 2018, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,501,038,000 including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB298,124,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 30 June 2018 are set out in Note VII 62.

18. Goodwill

(1) Original historical amount

All amounts in RMB'000

Company name	31 December 2017	Increase		Decrease		30 June 2018
		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	51,972	-	-	-	12,966	39,006
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	-	-
Total	339,099	-	-	837	12,966	325,296

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Goodwill (Continued)

(2) Impairment provision

All amounts in RMB'000

Company name	31 December 2017	Increase		Decrease		30 June 2018
		Provision	Others	Disposal	Others	
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	51,972	-	-	-	12,966	39,006
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	8,875	91	-	-	-	8,966
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	740	-	-	-	-	740
Total	174,817	91	-	-	12,966	161,942

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% (31 December 2017: 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. For the recoverable value of the asset groups of other companies is also recognized by the Group based on the present value of future cash flows, but the goodwill of these companies is not significant to the Group.

19. Long-term prepayments

All amounts in RMB'000

Items	31 December 2017	Increase	Amortization	Other decreases	30 June 2018
Improvements of operating lease of fixed assets	20,021	6,620	4,018	-	22,623
Insurance expenditures	15,391	-	4,315	946	10,130
Rental expenditures	3,216	5,388	1,219	-	7,385
Repair expenditures	12,367	140	1,385	-	11,122
Others	245,027	14,924	37,200	-	222,751
Total	296,022	27,072	48,137	946	274,011

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. 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	30 June 2018		31 December 2017	
	Deductible temporary differences/tax losses	Deferred tax assets	Deductible temporary differences/tax losses	Deferred tax assets
Impairment provision	19,210,805	3,616,235	18,794,078	3,541,061
Unrealized profit on inter-company transactions	1,844,072	414,298	1,522,970	337,212
Defined benefit plans	1,658,947	386,779	1,662,120	386,618
Deductible tax losses	424,265	93,129	375,295	82,267
Employee benefits payable	435,550	77,872	424,042	76,614
Changes in the fair value of available-for-sale financial assets	–	–	3,869	923
Changes in the fair value of other equity instrument investments	173,549	34,853	–	–
Others	1,121,072	248,350	930,525	196,303
Total	24,868,260	4,871,516	23,712,899	4,620,998

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. 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	30 June 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	72,342	22,286	93,935	29,834
Changes in the fair value of available-for-sale financial assets	--	--	284,421	53,371
Changes in the fair value of other equity instrument investment	262,841	49,569	--	--
Others	544,060	135,572	547,500	136,129
Total	879,243	207,427	925,856	219,334

(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 period	Deferred tax assets or liabilities after offset at the end of the period	The offset amount of deferred tax assets and liabilities at the beginning of the period	Deferred tax assets or liabilities after offset at the beginning of the period
Deferred tax assets	34,194	4,837,322	35,299	4,585,699
Deferred tax liabilities	34,194	173,233	35,299	184,035

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Deferred tax assets and deferred tax liabilities (Continued)

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

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Deductible temporary differences	7,020,361	5,740,469
Deductible tax losses	11,748,597	16,007,712
Total	18,768,958	21,748,181

(5) Deductible tax losses that are not recognized as deferred tax assets will expire in the following years

All amounts in RMB'000

Year	30 June 2018	31 December 2017
2018	–	4,754,655
2019	2,710,176	2,944,329
2020	2,649,953	2,880,689
2021	3,623,065	3,650,037
2022	1,751,791	1,778,002
2023	1,013,612	–
Total	11,748,597	16,007,712

21. Other non-current assets

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Deposits for acquisition of assets	28,056	22,660
Total	28,056	22,660

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Pledged loans (a)	15,000	46,250
Mortgaged loans (b)	1,104,000	185,000
Credit loans	53,023,869	39,194,605
Total	54,142,869	39,425,855

(a) Pledged loans

As at 30 June 2018, borrowings of RMB15,000,000 (31 December 2017: RMB46,250,000) were secured by the pledge of the Group's accounts receivable in an aggregate amount of RMB15,000,000 (as at 31 December 2017: RMB46,869,000).

(b) Mortgaged loans

As at 30 June 2018, the secured bank borrowing of RMB1,104,000,000 (31 December 2017: RMB185,000,000) was obtained by pledging the intangible assets, fixed assets, and inventories with carrying amount of RMB1,123,298,000 (31 December 2017: intangible assets and fixed assets with carrying amount of RMB195,533,000) as collaterals.

- (2) For the period ended 30 June 2018, the weighted average interest rate of short-term borrowings was 4.48% per annum (for the period ended 30 June 2017: 4.15% per annum).

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Bills and accounts payable

(1) Presentation of bills and accounts payable

All amounts in RMB'000

Category	30 June 2018	31 December 2017
Bills payable	24,858,408	22,332,231
Accounts payable	113,581,740	117,498,912
Total	138,440,148	139,831,143

(2) Bills payable

All amounts in RMB'000

Category	30 June 2018	31 December 2017
Bank acceptance bills	22,889,673	20,709,890
Commercial acceptance bills	1,968,735	1,622,341
Total	24,858,408	22,332,231

(3) Accounts payable

(a) Presentation of accounts payable

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Project fees	76,676,739	81,184,153
Purchases	29,987,663	28,871,705
Design fees	238,615	303,329
Labor fees	5,492,347	5,693,111
Retention money	546,434	692,057
Others	639,942	754,557
Total	113,581,740	117,498,912

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Bills and accounts payable (Continued)

(3) Accounts payable (Continued)

(b) Aging analysis of accounts payable

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	82,577,164	82,949,952
1 to 2 years	15,018,500	17,862,894
2 to 3 years	6,075,024	6,472,412
Over 3 years	9,911,052	10,213,654
Total	113,581,740	117,498,912

(c) Significant accounts payable aged over one year

All amounts in RMB'000

Items	Relationship with the Group	30 June 2018	Reasons
Party 1	Third Party	229,315	Projects not yet settled
Party 2	Third Party	130,043	
Party 3	Third Party	105,707	
Party 4	Third Party	85,234	
Party 5	Third Party	77,580	
Total	/	627,879	/

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Receipts in advance

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Lease receipt in advance	78,024	56,991
Project fees	--	12,717,055
Sales proceeds	--	12,678,645
Design fees	--	997,831
Labor fees	--	86,051
Gross amounts due to contract customers	--	17,118,278
Others	--	206,573
Total	78,024	43,861,424

25. Contract liabilities

(1) Presentation of contract liabilities

All amounts in RMB'000

Item	30 June 2018
Contract liabilities relating to engineering contracting service contracts	34,012,868
Contract liabilities relating to sales contracts	14,235,474
Contract liabilities relating to other customers' contracts	934,086
Total	49,182,428

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Contract liabilities (Continued)

(2) Qualitative analysis on contract liabilities

The contract liabilities of the Group mainly derives from engineering contracting service contracts and sales contracts.

As presented in Note VII7, the engineering contracting services provided by the Group require regular settlements with the customers. Under normal circumstances, there are some time differences among the implementation and settlement progress of the engineering contracting service contracts or the progress of receipt. As at 30 June 2018, the implementation progress of some engineering contracting service contracts lagged behind the settlement progress or receipt progress, which means the Group has acquired the contract consideration or the right to gain contract consideration unconditionally, thus form the contract liabilities relating to engineering contracting services.

The sales contracts of the Group normally constitutes the single performance obligation, and requires to be fulfilled at a certain time. The Group will recognize revenue at the time of acquiring the control of the related goods. As at 30 June 2018, the implementation time of performance obligation of the Group in the sale contract was later than the payment time of the customers, thus formed the related contract liability of the sale contract.

- (3) The revenue recognized in the current period and included in the contract liabilities of 1 January 2018 is RMB15,164,968,000, which mainly represented the contract liabilities arising from engineering contract service and property development business.

26. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	30 June 2018
I. Short-term employee benefits	1,694,042	7,999,558	7,876,421	1,817,179
II. Post-employment benefits -defined contribution plan	235,120	1,444,941	1,430,226	249,835
III. Termination benefits	1,183	17,584	15,656	3,111
IV. Other benefits	44,351	780,908	760,177	65,082
Total	1,974,696	10,242,991	10,082,480	2,135,207

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Employee benefits payable (Continued)

(2) Short-term employee benefits

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	30 June 2018
I. Salaries, bonuses, allowances and subsidies	725,041	6,164,882	6,091,238	798,685
II. Staff welfare	6,567	218,574	218,902	6,239
III. Social insurance premiums	20,794	601,492	595,275	27,011
Including: Medical insurance	20,025	528,606	523,598	25,033
Work-related injury insurance	509	41,874	40,872	1,511
Maternity insurance	260	31,012	30,805	467
IV. Housing provident funds	201,918	862,950	860,724	204,144
V. Labor union expenditures and employees' education expenses	739,722	151,660	110,282	781,100
Total	1,694,042	7,999,558	7,876,421	1,817,179

(3) Defined contribution plan

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	30 June 2018
1. Basic retirement insurance	136,616	1,182,533	1,171,383	147,766
2. Unemployment insurance	6,308	44,453	43,188	7,573
3. Supplementary pension	92,196	217,955	215,655	94,496
Total	235,120	1,444,941	1,430,226	249,835

The Group participated in the social insurance premiums plans set up by the government according to the regulations. According to the plan, the Group makes deposits into the plans according to the regulations. Other than the deposits mentioned above, the Group does not need to make any further payments. The corresponding expenses shall be charged to the profit or loss in the period as and when incurred.

The Group made deposits amounting to RMB1,444,941,000 (for the period ended 30 June 2017: RMB1,328,028,000) to the defined contribution plan for the current period. As at 30 June 2018, there was a payable amount of RMB249,835,000 (as at 31 December 2017: RMB235,120,000).

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Taxes payable

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Value added tax	446,953	840,331
Consumption tax	15,020	8,900
Enterprise income tax	955,308	1,295,416
Individual income tax	123,822	428,371
City maintenance and construction tax	62,309	92,701
Education surcharges	49,784	73,621
Land appreciation tax	791,398	551,834
Others	233,871	137,547
Total	2,678,465	3,428,721

28. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Guarantees and deposits payable	15,491,954	14,844,927
Rental payable	204,554	202,078
Utilities payable	169,856	207,114
Repair and maintenance payable	315,201	330,072
Payables for land use rights	24,780	29,852
Dividends payable	2,350,853	1,057,084
Interest payable	502,955	551,884
Others	8,097,369	9,609,026
Total	27,157,522	26,832,037

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Other payables (Continued)

(2) Significant other payables aged over one year

All amounts in RMB'000

Items	Relationship with the Group	30 June 2018	Reasons
Party 1	Third Party	2,428,264	The settlement dates were not yet due
Party 2	Third Party	326,850	
Party 3	Related Party	151,764	
Party 4	Third Party	121,779	
Party 5	Third Party	97,590	
Total	/	3,126,247	/

29. Non-current liabilities due within one year

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Long-term borrowings due within one year (Note VII31)	18,019,326	11,572,993
Bonds payable due within one year (Note VII32)	3,604,000	6,204,000
Long-term payables due within one year (Note VII33)	294,209	267,636
Long-term employee benefits payable due within one year (Note VII34)	302,706	379,279
Total	22,220,241	18,423,908

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other current liabilities

All amounts in RMB'000

Item	30 June 2018	31 December 2017
Amounts to be transferred to output VAT	6,900,604	6,236,904
Deferred income to be released to income statement within one year (Note VII36)	85,689	120,496
Total	6,986,293	6,357,400

31. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Pledge loans (a)	498,332	576,920
Mortgage loans (b)	9,136,451	8,527,779
Guarantee loans (c)	1,451,580	1,464,930
Credit loans	28,457,139	24,474,107
Total	39,543,502	35,043,736
Less: Long-term borrowings due within one year (Note VII29)	18,019,326	11,572,993
Including: Pledge loans	288,609	339,000
Mortgage loans	3,195,659	2,103,602
Credit loans	14,535,058	9,130,391
Long-term borrowings due over one year	21,524,176	23,470,743

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Long-term borrowings (Continued)

(1) Long-term borrowings disclosed by category (Continued)

(a) Pledge loans

As at 30 June 2018, borrowings of RMB498,332,000 (as at 31 December 2017: RMB576,920,000) were secured by the pledge of the Group's accounts receivable in amount of RMB498,332,000 (as at 31 December 2017: RMB576,920,000).

(b) Mortgage loans

As at 30 June 2018, borrowings of RMB9,136,451,000 (as at 31 December 2017: RMB8,527,779,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB12,874,066,000 (as at 31 December 2017: RMB12,868,560,000).

(c) Guaranteed loans

As at 30 June 2018, long-term guaranteed loans amounting to RMB1,451,580,000 was guaranteed by CMGC (as at 31 December 2017: 1,464,930,000).

(2) Analysis of the maturity profile of long-term borrowings due over one year

All amounts in RMB'000

Maturity Date	30 June 2018	31 December 2017
1 to 2 years	10,900,760	11,966,521
2 to 5 years	6,330,876	8,050,744
Over 5 years	4,292,540	3,453,478
Total	21,524,176	23,470,743

(3) For the period ended 30 June 2018, the weighted average interest rate of long-term borrowings was 4.50% per annum (for the period ended 30 June 2017: 4.38% per annum).

(4) As at 30 June 2018, the Group did not have any significant overdue long-term borrowings.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Corporate debentures	5,264,000	6,774,000
USD debentures	6,602,344	6,516,675
Total	11,866,344	13,290,675
Including: Bonds payable due within one year (Note VII 29)	3,604,000	6,204,000
Bonds payable due over one year	8,262,344	7,086,675

(2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	31 December 2017	Issued in the current period	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current period	30 June 2018
Corporate Debentures (a)	3,500,000	2008-07-23	10 years	3,500,000	2,704,000	-	80,591	-	-	-	2,704,000
Corporate Debentures (b)	3,500,000	2016-03-03	3 years	3,500,000	3,500,000	-	47,670	-	-	2,600,000	900,000
USD debentures (c)	3,431,650	2017-05-31	3 years	3,411,043	3,250,670	-	46,987	39,460	3,274	-	3,293,404
USD debentures (d)	3,378,100	2017-07-17	3 years	3,376,770	3,266,005	-	46,987	42,777	158	-	3,308,940
Corporate Debentures (e)	570,000	2017-10-24 to 2017-10-25	5 years	570,000	570,000	-	14,105	-	-	-	570,000
Corporate Debentures (f)	870,000	2018-05-07 to 2018-05-08	3 years	870,000	-	870,000	6,152	-	-	-	870,000
Corporate Debentures (g)	220,000	2018-05-07 to 2018-05-08	5 years	220,000	-	220,000	1,621	-	-	-	220,000
Total	15,469,750	/	/	15,447,813	13,290,675	1,090,000	244,113	82,237	3,432	2,600,000	11,866,344

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Bonds payable (Continued)

(2) Movements of bonds payable (Continued)

- (a) As approved by the National Development and Reform Commission, the Company issued corporate debentures in July 2008 at face value of RMB3,500,000,000, with a term of ten years from issuance and interest rate of 6.10% per annum. The Company has the right to increase the coupon rate by 0 to 100 basis points at the end of the fifth year for the duration of the corporate debentures. Investors shall be entitled to be registered according to the implementation of bonds sold back measures of the registration period, either sell back all or part of the bonds to the Company or keep holding the bonds. On 24 July 2013, the Company redeemed bonds amounting to RMB796,000,000 from the bondholder.
- (b) 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 initial 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. On 28 February 2018, MCC Real Estate Group Co., Ltd. repurchased the bonds of RMB2,600,000,000 from the bondholder, and on March 3rd, MCC Real Estate Group Co., Ltd. exercised its right to adjust the interest rate to 6.5%.
- (c) 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.
- (d) 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.
- (e) 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.
- (f) Upon the approval of CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at face value of RMB870,000,000 with a term of 3 years from issuance and interest bearing at a rate of 4.78%. Interest will be paid every year and principal will be paid upon maturity date.
- (g) Upon the approval of CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at face value of RMB220,000,000 with a term of 5 years from issuance and interest bearing at a rate of 4.98%. Interest will be paid every year and principal will be paid upon maturity date.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term payables

(1) Long-term payables disclosed by nature

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Finance lease payables	408,981	545,097
Housing maintenance fee payables	41,863	41,770
Special payables for water/power/gas supply and property (Note)	233,753	168,142
Others	792,647	784,025
Total	1,477,244	1,539,034
Including: Long-term payables due within one year (Note VII29)	294,209	267,636
Long-term payables due over one year	1,183,035	1,271,398

Note : In accordance with the Notice of the SASAC and the MoF on the Instructions for the "Special payables for water/power/gas supply and property" Split Hand-over Work in the Residential Area of Employees of the State-owned Enterprises Forwarded by the General Office of the State Council (Guo Ban Fa [2016] No. 45), and the Measures for the Administration of Central Financial Subsidy to "Special payables for water/power/gas supply and property" Split Hand-over by the Families of the Employees of the Central Enterprises (Cai Zi [2016] No. 38) and other relevant management documents, the Group has conducted the work of handover the Special payables for water/power/gas supply and property, and will account for the appropriation for Special payables for water/power/gas supply and property as long-term payables.

(2) Analysis of the maturity profile of long-term payables due over one year

All amounts in RMB'000

Maturity Date	30 June 2018	31 December 2017
1 to 2 years	369,209	421,307
2 to 5 years	386,282	407,349
Over 5 years	427,544	442,742
Total	1,183,035	1,271,398

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term payables (Continued)

(3) Details of finance lease payables

All amounts in RMB'000

	30 June 2018	31 December 2017
The first year after balance sheet	230,300	292,552
The second year after balance sheet	108,252	174,679
The third year after balance sheet	39,511	51,938
Subsequent years	63,568	72,875
Minimum lease payments	441,631	592,044
Less: Unrecognized finance costs	32,650	46,947
Finance lease payables	408,981	545,097
Including: Amount due for settlement within one year	215,102	267,509
Amount due for settlement after one year	193,879	277,588

34. Long-term employee benefits payable

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Post-employment benefits -Net liability arising from defined benefit plan	3,898,100	3,933,492
Total	3,898,100	3,933,492
Including: Long-term employee benefits payable due within one year (Note VII 29)	302,706	379,279
Long-term employee benefits payable due over one year	3,595,394	3,554,213

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term employee benefits payable (Continued)

(a) Movements in the defined benefit plan

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Opening balance	3,933,492	4,066,001
II. Defined benefit costs recognized in profit or loss	71,556	57,839
1. Net interest expense	71,556	57,839
III. Defined benefit costs recognized in other comprehensive income	133,654	(156,579)
1. Actuarial gains	133,654	(156,579)
IV. Other movements	(240,602)	(233,740)
1. Benefits paid	(240,602)	(233,740)
V. Closing balance	3,898,100	3,733,521

(b) 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" using projected unit credit actuarial cost method.

(c) 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.

(d) The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	30 June 2018	31 December 2017
Discount rate	3.50%	4.00%
Mortality rate	CLA CL5/CL6 up 3	CLA CL5/CL6 up 3
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%

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Provisions

All amounts in RMB'000

Items	30 June 2018	31 December 2017	Reasons
Pending litigations	8,997	29,346	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	6,413	6,677	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	215,980	213,629	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.
The separation and hand-over cost of Special payables for water/power/gas supply and property	394,463	-	In accordance with the requirement of Guo Ban Fa [2016] No.45, Cai Zi [2016] No.38, and other related management documents, the Group shall bear the current obligation formed during the separation and hand-over of Special payables for water/power/gas supply and property. An outflow of resources would be required to settle this obligation and the amount had been reliably estimated.
Others	21,450	20,820	Others
Total	647,303	270,472	/

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Deferred income

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	30 June 2018	Reasons
Government grants	1,240,273	72,079	112,991	1,199,361	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	152,196	100	39,733	112,563	Others
Total	1,392,469	72,179	152,724	1,311,924	/
Including: Deferred income to be released to profit and loss within one year (Note VII30)	120,496	/	/	85,689	/
Deferred income to be released to profit and loss over one year	1,271,973	/	/	1,226,235	/

37. Share capital

All amounts in RMB'000

	31 December 2017	Movements during the current period				Subtotal	30 June 2018
		Issue of new shares	Bonus issue	Shares converted from capital reserve	Others		
Total shares	20,723,619	-	-	-	-	-	20,723,619

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Other equity instruments

(1) *The basic information of the perpetual bond or other financial instruments in issue at the end of the period*

(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	Zhongshixiezhuzhu [2015] MTN164	Zhongshixiezhuzhu [2015] MTN677	Zhongshixiezhuzhu [2015] MTN681
Issue date	1 June 2015	22 December 2015	24 December 2015
Issue amount	RMB5,000,000,000	RMB2,500,000,000	RMB2,500,000,000
Term	The notes are on a long-term basis until redemption by the Company according to the issuance provisions.		
Redemption rights	On or after the fifth interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).	On or after the third interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).	
Interest rate	The coupon is 5.70% for the first five interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every five years from the sixth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.	The coupon is 4.38% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.	The coupon is 4.33% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Other equity instruments (Continued)

(1) The basic information of the perpetual bond or other financial instruments in issue at the end of the period (Continued)

- (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: (Continued)

Unless mandatory interest payment event happens, at each of the interest payment date of medium-term notes, the Company can choose to have the current interest and all the deferred interest to be paid at the next interest payment date, which is not subject to any restrictions on the number of deferred interest payments. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the contract. Each piece of deferred interest is interest bearing at the coupon rate of the medium-term notes during the interest deferral period.

Within 12 months before the interest payment day, if the following events occur, the interest payments, both current and deferred, cannot be deferred by Company:

- (i) Dividend declared to the holders of ordinary shares;
- (ii) Any form of payment to the securities which are subordinated to the payment order of the medium-term notes;
- (iii) Reduction of registered capital.

- (b) Approved by CSRC, the Company issued four renewable corporate bonds in 2017 in public. Details of the issuance are as follows:

Issue	Public issuance of renewable corporate bonds in 2017 (1st Tranche)	Public issuance of renewable corporate bonds in 2017 (2nd Tranche)	Public issuance of renewable corporate bonds in 2017 (3rd Tranche)	Public issuance of renewable corporate bonds in 2017 (4th Tranche)
Approval 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 extending period and 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.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Other equity instruments (Continued)

(1) The basic information of the perpetual bond or other financial instruments in issue at the end of the period (Continued)

(b) Approved by CSRC, the Company issued four renewable corporate bonds in 2017 in public. Details of the issuance are as follows: (Continued)

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.

(2) Movements of the perpetual bond or other financial instrument in issue

All amounts in RMB'000

Name of financial instrument	31 December 2017		Increase		Decrease		30 June 2018	
	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 issuance of renewable corporate bonds in 2017 (1st Tranche) (b)	2,700	2,699,779	-	-	-	-	2,700	2,699,779
Public issuance of renewable corporate bonds in 2017 (2nd Tranche) (b)	2,000	1,999,836	-	-	-	-	2,000	1,999,836
Public issuance of renewable corporate bonds in 2017 (3rd Tranche) (b)	2,000	1,999,803	-	-	-	-	2,000	1,999,803
Public issuance of renewable corporate bonds in 2017 (4th Tranche) (b)	1,300	1,299,872	-	-	-	-	1,300	1,299,872
Total	18,000	17,884,240	-	-	-	-	18,000	17,884,240

- (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.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Capital reserve

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	30 June 2018
Share premium	22,507,192	–	–	22,507,192
Other capital reserve	20,475	3	–	20,478
Total	22,527,667	3	–	22,527,670

40. Other comprehensive income

All amounts in RMB'000

Items	31 December 2017	Accounting Policies Change adjustment (Note V28(1))	Movements during the current period							30 June 2018
			01 January 2018	Other comprehensive income before tax for the period	Less: Amount included in other comprehensive income in the prior years that is transferred to profit or loss for current period	Less: Income tax expenses	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	Less: Retained earnings transferred from other comprehensive income	
I. Items that will not be reclassified subsequently to profit or loss	(119,608)	130,916	11,308	(248,408)	–	(32,703)	(203,907)	(11,798)	(11,515)	(181,084)
1. Remeasurement of defined benefit obligations	(119,608)	–	(119,608)	(133,654)	–	(8,277)	(120,171)	(5,206)	–	(239,779)
2. Fair value change of other equity instrument investment	–	130,916	130,916	(114,754)	–	(24,426)	(83,736)	(6,592)	(11,515)	58,695
II. Items that may be reclassified subsequently to profit or loss	124,826	(225,948)	(101,122)	38,434	–	(5,716)	40,052	4,098	–	(61,070)
1. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method	(546)	–	(546)	26	–	–	20	6	–	(526)
2. Net (Loss) gain on revaluation of available-for-sale financial assets	225,948	(225,948)	–	–	–	–	–	–	–	–
3. Exchange differences on translating foreign operations	(100,576)	–	(100,576)	38,408	–	(5,716)	40,032	4,092	–	(60,544)
Total comprehensive income	5,218	(95,032)	(89,814)	(209,974)	–	(38,419)	(163,855)	(7,700)	(11,515)	(242,154)

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Special reserve

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	30 June 2018
Production safety fee	12,550	1,413,261	1,413,261	12,550
Total	12,550	1,413,261	1,413,261	12,550

42. Surplus reserve

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	30 June 2018
Statutory surplus reserve	1,338,615	–	–	1,338,615
Total	1,338,615	–	–	1,338,615

43. Retained earnings

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
31 December 2017	20,007,920	16,203,904
Add : Changes in accounting policies (Note V28)	(143,226)	–
Retained earnings at 01 Jan 2018 (Note V28)	19,864,694	16,203,904
Add: Net profit attributable to shareholders of the Company for the current period	2,907,197	2,674,676
Retained earnings transferred from other comprehensive income	(11,515)	–
Less: Declaration of dividends on ordinary shares (a)	1,409,206	1,243,417
Declaration of dividends on perpetual bonds (c)	453,886	322,339
30 June 2018 (b) (c)	20,897,284	17,312,824

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Retained earnings (Continued)

- (a) In accordance with the resolution at the 2017 annual general meeting of shareholders on 26 June 2018, a final cash dividend of RMB0.68 (inclusive of tax) for every ten shares, totaling RMB1,409,206,000, was approved after the appropriation to statutory surplus reserve. These dividends had been paid.
- (b) As at 30 June 2018, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB10,561,908,000 (31 December 2017: RMB10,561,908,000).
- (c) Dividends on perpetual bond amounted to RMB453,886,000 for the current period (for the period ended 30 June 2017: RMB322,339,000). As at 30 June 2018, retained earnings contained no interests belong to the perpetual bond holders (31 December 2017: nil).

44. Operating revenue and operating costs

(1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	125,663,129	110,403,471	100,732,539	87,711,614
Other business	449,444	237,628	352,948	249,039
Total	126,112,573	110,641,099	101,085,487	87,960,653

- (2) The segment information of operating revenue and operating costs for the period ended 30 June 2018 is set out in Note XV1.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Operating revenue and operating costs (Continued)

(3) 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 RMB7,861,305,000 (for the six months ended 30 June 2017: RMB4,645,921,000), accounting for 6.23% of the total operating revenue of the Group (for the six months ended 30 June 2017: 4.60%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	3,229,874	2.56
Party 2	1,405,890	1.11
Party 3	1,125,528	0.89
Party 4	1,052,797	0.84
Party 5	1,047,216	0.83
Total	7,861,305	6.23

(4) The engineering contracting service provided by the Group generally constitutes a single performance obligation as a whole and is performed over time. As at 30 June 2018, some of the Group's engineering contracting service contracts are still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each service contract, and will be recognized as revenue in the future performance period of each contract based on the performance progress.

(5) The revenue from the performance obligation implemented (or partly implemented) in the prior period, which adjusted in the current period is RMB2,499,349,000.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Taxes and levies

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
City construction and maintenance tax	143,058	139,706
Education surcharges	69,471	67,647
Land appreciation tax	575,108	328,341
Property tax	99,265	90,102
Land use tax	69,703	64,097
Stamp duty	69,041	67,569
Others	165,052	206,246
Total	1,190,698	963,708

46. Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	2,684	1,500
Employee compensation costs	358,864	312,704
Depreciation expenses	8,951	8,711
Travelling expenses	89,052	83,985
Office expenses	59,753	63,738
Transportation expenses	115,770	77,846
Advertising and sales service expenses	121,962	225,682
Others	73,449	65,193
Total	830,485	839,359

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,410,905	2,175,544
Depreciation expenses	238,290	245,407
Travelling expenses	152,285	144,175
Office expenses	187,422	244,208
Lease rentals	67,318	32,612
Repairs and maintenance expenses	78,991	61,297
Amortization of intangible assets	85,135	91,556
Consulting expenses	112,271	81,659
Others	494,342	397,248
Total	3,826,959	3,473,706

48. Research & Development expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Direct input costs	679,899	529,307
Equipment debugging and experiment expenses	29,035	22,819
Employee compensation costs	655,692	501,884
Depreciation expenses	39,702	38,436
Amortization of intangible assets	6,808	7,492
Others	36,731	55,760
Total	1,447,867	1,155,698

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	2,799,300	2,650,806
Less: Capitalized interests	(837,797)	(970,802)
Less: Interest income	(1,009,496)	(407,941)
Exchange losses	210,785	122,180
Bank charges	151,210	123,904
Others	158,737	78,450
Total	1,472,739	1,596,597

50. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
1. Bad debt provision	--	1,097,279
Including: Accounts receivable bad debts	--	392,273
Other receivables bad debts	--	192,894
Long-term receivables bad debts	--	460,285
2. Impairment of inventories (Note VII6(2))	210,851	76,254
3. Impairment of long-term equity investments (Note VII11)	146,170	64,890
4. Impairment of fixed assets (Note VII15(1))	280,576	109,591
5. Impairment of construction in progress (Note VII 16(3))	137	2,211
6. Impairment of intangible assets (Note VII17(1))	332,921	14,858
7. Impairment of goodwill (Note VII18(2))	91	141
8. Others	--	(3,835)
Total	970,746	1,361,389

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current period
Bad debt loss on bills and accounts receivable (Note VII3(2)(b))	717,557
Impairment losses of contract assets (Note VII7(2))	50,073
Bad debt loss on other receivables (Note VII5(2))	263,580
Others	7,800
Total	1,039,010

52. Other income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Related to income/assets
Tax refunds	49,827	24,321	Related to income
Research subsidy	3,648	18,187	Related to assets/income
Others	19,465	9,261	Related to assets/income
Total	72,940	51,769	/

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Investment income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Losses from long-term equity investments under equity method	(51,073)	(70,135)
Investment income on disposal of subsidiaries and long-term equity investments	100,258	63,379
Investment income on disposal of trading securities	9,132	--
Investment income on disposal of financial assets at FVTPL	--	4,531
Investment income from holding other equity instrument investment	5,233	--
Investment income from holding other non-current financial assets	34,001	--
Investment income from holding available-for-sale financial assets	--	12,823
Others	1,172	700
Total	98,723	11,298

54. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current period	Amount for the prior period
Gains(Losses) arising on changes in fair value of financial assets designated as at FVTPL	8,189	(134)
Gains arising on changes in fair value of derivative financial liabilities	--	10,814
Total	8,189	10,680

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Gains on disposal of assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Gains on disposal of fixed assets	32,964	36,019
Gains(Losses) on disposal of intangible assets	3,980	(8)
Total	36,944	36,011

56. Non-operating income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Income from penalty	43,729	30,331	43,729
Gains on inventory taking	7	6	7
Government grants irrelevant to ordinary courses	48,204	124,040	48,204
Approved unpayable balances	31,580	2,410	31,580
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	1,455	–	1,455
Others	78,813	51,767	78,813
Total	203,788	208,554	203,788

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Fines and surcharges for overdue payments	17,345	18,435	17,345
Compensation and default payments	16,430	44,194	16,430
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	394,463	–	394,463
Others	21,668	15,848	21,668
Total	449,906	78,477	449,906

58. Income tax expenses

(1) Income tax expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Current tax expenses	1,388,831	1,215,352
Deferred tax expenses	(224,151)	(158,995)
Total	1,164,680	1,056,357

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Income tax expenses (Continued)

(2) Reconciliation of income tax expenses to the accounting profit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Total profit	4,663,648	3,974,212
Income tax expenses calculated at the statutory tax rate (25%)	1,165,912	993,553
Effect of difference between applicable tax rate and statutory tax rate	(357,361)	(339,614)
Income not subject to tax	(111,449)	(68,533)
Expenses not deductible for tax purposes	70,592	101,703
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(277,122)	(145,271)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	676,222	539,831
Others	(2,114)	(25,312)
Income tax expenses	1,164,680	1,056,357

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 period 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 period at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	(133,654)	156,579
Less: Income tax effects on re-measurement of defined benefit obligations	(8,277)	10,401
Subtotal	(125,377)	146,178
2. Fair value change of other equity instrument investment	(114,754)	--
Less: Income tax effects arising from fair value change of other equity instrument investment	(24,426)	--
Subtotal	(90,328)	--
(II) Items that may be reclassified subsequently to profit or loss		
1. Share of the investee's other comprehensive income under equity method	26	(142)
Less: Effect of income tax incurred by share of the investee's other comprehensive income under equity method	--	--
Subtotal	26	(142)
2. Changes in fair value of available-for-sale financial assets	--	(8,995)
Less: Income tax effects on available-for-sale financial assets	--	(2,062)
Subtotal	--	(6,933)
3. Exchange differences on translating foreign operations	44,124	(75,690)
Total	(171,555)	63,413

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. 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 period	Amount for the prior period
Receipts of deposits and guarantee funds	647,028	458,042
Interest income	372,989	242,256
Recovery of receivables	87,045	318,501
Government grants received	223,264	218,843
Others	32,420	58,849
Total	1,362,746	1,296,491

(2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Payments of deposits and guarantee funds	5,127,329	4,919,964
Research and development expenses	745,591	653,813
Payments for retirement benefits	240,602	233,740
Travelling expenses	241,337	228,160
Office expenses	247,175	307,946
Utility expenses	525,532	631,442
Repairment and maintenance expenses	96,508	93,094
Advertising and sales services expenses	309,617	225,682
Settlements for payables	233,896	210,950
Advances and others	1,649,014	595,591
Total	9,416,601	8,100,382

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. 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 period	Amount for the prior period
Net cash flow receipts from acquisition of subsidiaries	622,243	–
Cash receipts on interest incomes of receivables and financial investments	446,527	91,219
Cash receipts from asset-related government grants	–	57,651
Total	1,068,770	148,870

(4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Providing loans to related parties and third parties	558,670	90,956
Total	558,670	90,956

(5) Other cash receipts relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Reduction of restricted deposits	–	1,138,273
Total	–	1,138,273

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Notes to items in the cash flow statements (Continued)

(6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Increase in restricted deposits	526,670	–
Settlements of finance lease obligations	150,414	153,231
Transactions with minority shareholders	18,212	5,000
Total	695,296	158,231

61. Supplementary information of the cash flow statement

(1) Supplementary information of the cash flow statements

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities :		
Net profit	3,498,968	2,917,855
Add: Assets impairment losses and credit impairment losses	2,009,756	1,361,389
Depreciation of fixed assets and amortization of investment properties	1,245,630	1,310,043
Amortization of intangible assets	227,575	187,327
Amortization of long-term prepayments	34,889	34,514
Gains on disposal of fixed assets, intangible assets and other long-term assets	(36,944)	(36,011)
The excess of the fair value of identifiable net assets acquired over the cost of combination	(1,455)	–
Losses on written-off of fixed assets	4,248	73
Gains on changes in fair values	(8,189)	(10,680)
Financial expenses	1,725,761	1,710,965
Losses arising from investments	(13,728)	(11,298)
Increase in deferred tax assets	(222,084)	(167,660)
(Decrease) increase in deferred tax liabilities	(2,067)	8,665
Increase in inventories	(5,485,382)	(8,532,897)
Increase in contract assets	(6,262,379)	–
Increase in receivables from operating activities	(1,356,661)	(453,135)
Decrease in payables from operating activities	(3,464,530)	(12,519,022)
Net cash flows from operating activities	(8,106,592)	(14,199,872)

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplementary information of the cash flow statement (Continued)

(1) Supplementary information of the cash flow statements (Continued)

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
2. Significant non-cash investing and financing activities: None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	38,767,936	35,420,291
Less: Opening balance of cash	36,464,134	38,711,911
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	2,303,802	(3,291,620)

(2) The composition of cash and cash equivalents

All amounts in RMB'000

Items	30 June 2018	31 December 2017
I. Cash	38,767,936	36,464,134
Including: Cash on hand	25,844	21,757
Bank deposits without restriction	36,267,062	34,846,002
Other monetary funds without restriction	2,475,030	1,596,375
II. Cash equivalents	—	—
III. Closing balance of cash and cash equivalents	38,767,936	36,464,134
Including: Cash and cash equivalents of the Company or within the Group with restriction	—	—

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Assets with title restrictions

All amounts in RMB'000

Items	30 June 2018	Reasons
Cash and bank balances	7,656,158	Freeze/Control
Bills receivable	2,346,007	Pledge
Bills receivable	310,662	Endorsed or discounted
Accounts receivable	513,332	Loan Pledge
Inventories	11,723,538	Loan mortgage
Investment properties	342,129	Loan mortgage
Investment properties	1,904	Other mortgage
Fixed assets	277,012	Loan mortgage
Fixed assets	328,868	Other mortgage
Intangible assets	1,654,685	Loan mortgage
Intangible assets	97,248	Other mortgage
Total	25,251,543	/

63. Foreign currencies denominated items

(1) Foreign currencies denominated items

All amounts in '000

Items	30 June 2018 in foreign currency	Exchange rate	30 June 2018 in RMB
Cash and bank balances			4,142,065
Including: USD	430,711	6.6166	2,849,841
EUR	36,051	7.6515	275,846
AUD	50,597	4.8633	246,070
HKD	26,091	0.8431	21,997
RMB	54,466	1.0000	54,466
Others	/	/	693,845

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Foreign currencies denominated items (Continued)

(1) Foreign currencies denominated items (Continued)

All amounts in '000

Items	30 June 2018 in foreign currency	Exchange rate	30 June 2018 in RMB
Interests receivable			394,020
Including: USD	56,781	6.6166	375,699
AUD	3,767	4.8633	18,321
Accounts receivable			1,194,195
Including: USD	64,177	6.6166	424,632
EUR	2,068	7.6515	15,825
AUD	1,000	4.8633	4,863
RMB	34,410	1.0000	34,410
Others	/	/	714,465
Other receivables			2,423,536
Including: USD	121,976	6.6166	807,069
AUD	129,275	4.8633	628,705
RMB	266,676	1.0000	266,676
Others	/	/	721,086
Short-term borrowings			2,471,617
Including: USD	357,429	6.6166	2,364,962
Others	/	/	106,655
Accounts payable			628,280
Including: USD	22,890	6.6166	151,451
EUR	3,083	7.6515	23,590
HKD	560	0.8431	472
RMB	104,919	1.0000	104,919
Others	/	/	347,848
Other payables			14,303,165
Including: USD	940,261	6.6166	6,221,329
AUD	39,096	4.8633	190,137
HKD	5,923	0.8431	4,994
RMB	7,062,393	1.0000	7,062,393
Others	/	/	824,312
Long-term borrowings			2,136,273
Including: USD	320,000	6.6166	2,117,312
Others	/	/	18,961

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. 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	
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
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.

VII. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Government grants

(1) Basic information of Government grants

All amounts in RMB'000

Government grants	Category	Amount received in current period	The listed items	Amount recognized in current profit or loss
Support fund for middle and small enterprises in Dalian High-tech District	Related to income	35,780	Operating costs	35,780
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Related to income	34,052	Deferred income/ Research & Development expenses	36,573
Tax return from Baoshan Luodian Development Zone	Related to income	15,910	Non-operating income	15,910
Central financial subsidy for resettlement of the staff in "zombie enterprises"	Related to income	13,260	Administrative expenses	13,260
Compensation for Sujiatuo Production Base relocation	Related to income	10,000	Non-operating income	10,000
Expenditure for retirement from Ministry of Science and Technology	Related to income	8,243	Non-operating income	8,243
Compensation clearing and self-relocation in villages of Shahe Town	Related to income	5,989	Deferred income/Non-operating income	2,464
Compensation for resettlement of the staff in "zombie enterprises"	Related to income	5,620	Administrative expenses	5,620
Compensation for demolition of Liujia Town in Pinggu District	Related to income	1,587	Non-operating income	1,587
Specified research fund for the Dry Red Mud Disposal Site in Alumina Refinery Project	Related to income	1,260	Deferred income/ Research & Development expenses	38
Others	Related to assets/Related to income	91,563	Deferred income/ Operating costs/ Administrative expenses/Research & Development expense/ Other income/Non-operating income	134,701
Total	/	223,264	/	264,176

(2) During the reporting period, the Group has no return of government grants.

Applicable Not Applicable

VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

1. Disposal of subsidiaries

(1) Disposal of subsidiaries through single transaction

All amounts in RMB'000

Name of the subsidiary	Sales proceeds	Percentage of equity interest disposed (%)	Method of disposal	Disposal date	The basis of determining disposal date	The difference between disposal consideration and shares of net assets of 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 retained interests in accord with its fair value	Key factors and assumptions used in determining the fair value on disposal date	Cumulative gain reclassified from other comprehensive income to profit or loss on disposal
Entity 1	43,550	68.22	Transfer through agreement	19/06/2018	The date of actual loss of control	500	-	-	-	-	N/A	-
Entity 2	N/A	90.00	Involving new shareholder	31/03/2018	The date of actual loss of control	84,906	10.00	50,010	50,099	89	Assessment method: Asset-based; Key assumptions; Similar market transaction price on the valuation base date	-
Total	43,550	/ /	/	/	/	85,406	/	50,010	50,099	89	/	-

The Group achieved gains of RMB85,495,000 arising on losing control of above subsidiaries, which was presented in investment income in the consolidated financial statements(Note VII53). The Group had net cash inflow of RMB41,452,000 arising on losing control over the above subsidiaries.

2. Other reasons of the change for scope of consolidation

Applicable Not Applicable

There were no significant changes of the scope of consolidation for the current period.

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Details of second-tier 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.	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) Ltd.	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

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	
China Second Metallurgical Group Corporation Limited	China	Baotou	Engineering contracting	100.00	-	Invested by shareholders
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 Co., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Maanshan	EPC	85.10	-	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Maanshan	Engineering contracting	72.39	-	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.99	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
MCC 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
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

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 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	Project contracting, Integrated pipe network technology development, etc.	100.00	-	Established through investments
MCC Vietnam Engineering Technology Co., Ltd.	Vietnam	Vietnam	Engineering contracting	100.00	-	Established through investments

Notes:

- (i) Except for the Company, MCC Holding (Hong Kong) Corporation Limited (the "MCC Hong Kong"), 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.
- (ii) MCC Hong Kong, one of the Company's subsidiary, issued oversea perpetual bonds on 2 May 2018 with no fixed redemption date dates. Such bond would be perpetual until MCC Hong Kong exercised the option of redemption. MCC Hong Kong may, at its sole discretion, choose to delay the payments of the current interest and all deferred interests together with their yields to the following payment date, without any restriction on times of delayed payments of interests.

During the-3-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred, MCC Hong Kong cannot delay the payments of the current interest and all deferred interests together with their yields:

- The Company or MCC Hong Kong declared to pay or paid any dividends, or interests of perpetual bonds other than the aforementioned bonds (unless all perpetual bond interests were paid on a pro rata basis);
- The Company or MCC Hong Kong redeemed perpetual bonds other than the aforementioned bonds (unless all perpetual bonds were redeemed on a pro rata basis)

Amounts received by MCC Hong Kong from issued oversea perpetual bonds are RMB3,296,390,000 in total after deducting relative transaction costs, which are recognized in other equity instruments and presented under the headline of minority interests in the consolidated financial statements.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

- (a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.
- (b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights
 - (i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao Jinze HuaDi Real Estate Development 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 Mingxin 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.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
Fuzhou MCC Infrastructure Investment Co., Ltd.	90.00	The other shareholder has a veto right, recognized as a joint venture
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	90.00	The other shareholder is able to determine the investee's related activities, recognized as an associate.
Wuhan MCC Xianglongchuan River Construction Management Co., Ltd.	80.23	Each shareholder has a veto right, recognized as a joint venture
Tianjin Mingjin MCC Real Estate Co., Ltd.	80.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Zhuzhou Beihuan Dafeng Municipal Construction 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 IX2(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
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
Beijing New Century Restaurant 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 IX2(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 IX2(1)).
Guizhou Sanshi Highway Construction Co., Ltd.	59.90	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX2(1)).
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.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
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	Other shareholders can determine the investee's related activities, recognized as an associate.

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 period	Declaration of cash dividends to non-controlling interests	Non-controlling interests on 30 June 2018
China First Metallurgical Group Co., Ltd.	6.93	17,710	–	1,552,430
WISDRI Engineering & Research Incorporation Limited	16.92	54,165	–	1,581,015
China MCC 20 Group Co., Ltd.	31.00	55,925	3,714	1,347,290
China MCC 17 Group Co., Ltd.	27.61	79,578	–	1,036,187
MCC Capital Engineering & Research Incorporation Limited	11.11	12,832	14,000	569,772

- (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 period.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Company name	30 June 2018						31 December 2017					
	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.	19,223,158	3,679,506	22,902,664	16,062,840	2,080,470	18,143,310	18,744,881	3,256,460	22,001,341	15,994,547	1,427,336	17,421,883
WISDRI Engineering & Research Incorporation Limited	13,588,141	4,273,613	17,861,754	11,253,219	205,533	11,458,752	13,659,506	4,066,878	17,726,384	11,305,741	219,244	11,524,985
China MCC 20 Group Co., Ltd.	22,335,759	3,837,801	26,173,560	21,051,150	628,151	21,679,301	22,341,040	3,448,890	25,789,930	21,069,268	417,760	21,487,028
China MCC 17 Group Co., Ltd.	15,738,086	1,912,828	17,650,914	13,426,830	482,568	13,909,398	14,424,411	1,908,712	16,333,123	12,254,791	623,116	12,877,907
MCC Capital Engineering & Research Incorporation Limited	13,262,040	3,099,518	16,361,558	11,915,895	192,891	12,108,786	13,403,156	3,137,807	16,540,963	12,168,785	198,763	12,367,548

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 period				Amount for the prior period(Restated)			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
China First Metallurgical Group Co., Ltd.	8,852,956	218,148	217,772	(392,961)	7,641,223	157,618	153,312	(114,182)
WISDRI Engineering & Research Incorporation Limited <i>(Note)</i>	4,822,592	201,202	198,883	653,246	3,794,104	225,743	207,744	20,802
China MCC 20 Group Co., Ltd.	8,033,025	203,679	195,074	(245,369)	6,857,022	157,904	124,750	(788,757)
China MCC 17 Group Co., Ltd.	10,041,832	288,166	286,302	139,232	8,278,707	250,611	253,094	78,669
MCC Capital Engineering & Research Incorporation Limited <i>(Note)</i>	5,590,228	112,143	106,176	876,168	2,656,292	(6,494)	2,386	(250,103)

Note: Due to the effect of business combination between WISDRI Engineering & Research Incorporation Limited and MCC Capital Engineering & Research Incorporation Limited, which are under common control, in 2017, the amount for the period ended 30 June 2017 has been restated.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. 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	Bouyei 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	Miao and Dong Autonomous Prefecture of Qiongnan	Highway investment and development	59.90	-	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Integrated pipe network construction and operation	70.00	-	Equity method
Jilin City Jicheng Hada Pipe Network Investment Operation Co., Ltd.	China	Jilin	Integrated pipe network construction and operation	40.76	-	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Equipment manufacture and installation	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.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. 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
Ezhou Xinsheng Construction Engineering 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
Nanning City Guoye Infrastructure Construction Investment Co., Ltd.	12.00	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
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jianyang 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
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jianyang Zhongye Tianshun Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Zhangpu Chengye Construction Investment Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanchong Shunye Investment and Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Peng'an Pengye Road Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) *The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence (Continued)*

(ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Shanghai Xinpu Transportation Co., Ltd.	40.00	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Tangshan Stainless Steel Co., Ltd.	23.89	
Shanghai Clear Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation	20.00	
Jiangsu Heavy Industry Co., Ltd.		

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	30 June 2018/amount recognized in the current period	31 December 2017/amount recognized in the prior period
Joint ventures:		
Total carrying amount	3,940,644	2,398,774
The Group's share of the following items:		
– Net profit	(46,899)	(32,140)
– Other comprehensive income	6	–
– Total comprehensive income	(46,893)	(32,140)
Associates:		
Total carrying amount	7,061,197	4,331,698
The Group's share of the following items:		
– Net profit	(4,174)	(37,995)
– Other comprehensive income	20	(142)
– Total comprehensive income	(4,154)	(38,137)

- (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 RISKS ASSOCIATION WITH FINANCIAL INSTRUMENTS

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.

The gearing ratios as at 30 June 2018 and 31 December 2017 are as follows:

All amounts in RMB'000

	30 June 2018	31 December 2017
Total borrowings:		
Short-term borrowings (<i>Note VII 22</i>)	54,142,869	39,425,855
Long-term borrowings (inclusive of those due within one year) (<i>Note VII 31</i>)	39,543,502	35,043,736
Bonds payable (inclusive of those due within one year) (<i>Note VII 32</i>)	11,866,344	13,290,675
Finance lease payables (inclusive of those due within one year) (<i>Note VII 33</i>)	408,981	545,097
Less: Cash and cash equivalents (<i>Note VII 61(2)</i>)	38,767,936	36,464,134
Net debt	67,193,760	51,841,229
Shareholders' equity	101,603,386	97,320,481
Total capital	168,797,146	149,161,710
The gearing ratio	39.81%	34.76%

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.

X. CAPITAL MANAGEMENT AND RISKS ASSOCIATION WITH FINANCIAL INSTRUMENTS (CONTINUED)

2. Financial instruments and risk management (Continued)

(1) Market risk

(a) Foreign exchange risks

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 30 June 2018 are set out in Note VII 63.

As at 30 June 2018, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group the six months ended 30 June 2018 would have been approximately RMB15,770,000 lower/higher (as at 31 December 2017: RMB320,568,000 lower/higher).

(b) Interest rate risk

(i) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI 7.

(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 30 June 2018, short-term borrowings of the Group were amounting to RMB54,142,869,000 (as at 31 December 2017: RMB39,425,855,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB6,658,903,000 (as at 31 December 2017: RMB4,791,201,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB11,654,219,000 (as at 31 December 2017: RMB11,453,964,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB15,179,525,000 (as at 31 December 2017: RMB13,253,301,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB18,326,180,000 (as at 31 December 2017: RMB19,381,042,000) (Notes VII 22, 29, 31, 32, 33).

X. CAPITAL MANAGEMENT AND RISKS ASSOCIATION WITH FINANCIAL INSTRUMENTS (CONTINUED)

2. Financial instruments and risk management (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

(ii) (Continued)

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For the current reporting period and the six months ended 30 June 2017, the Group has not involved in any interest rate swap arrangements.

During the current period, 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 current period would have been RMB255,560,000 lower/higher (for the period ended 30 June 2017: approximately RMB252,027,000).

During the current period, 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 current period would have been RMB34,831,000 lower/higher (for the period ended 30 June 2017: approximately RMB36,012,000).

(2) Credit risk

As at 30 June 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from: the carrying amount of the respective recognized bank deposits, bills receivable and accounts receivable, contract assets, other receivables and long-term receivables in the balance sheet of the Group.

To reduce credit risk, the Group 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.

The credit risk on the bank deposits of the Group are limited because they are deposited with national banks and other large and medium listing banks.

X. CAPITAL MANAGEMENT AND RISKS ASSOCIATION WITH FINANCIAL INSTRUMENTS (CONTINUED)

2. Financial instruments and risk management (Continued)

(2) Credit risk (Continued)

Besides, the external guarantee undertaken by the Group may also cause financial losses to the Group. As at 30 June 2018, the Group has no external guarantee.

Please refer to Note V10(2) in respect of the specific methods to assess whether the credit risk has been increased remarkably since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly. For the changes in the bad debt provision of bills receivable and accounts receivable of the Group, refer to Note VII3(3)(b), and for the changes in the loss provision of the contract assets, refer to Note VII7(2).

(3) Liquidity risk

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

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 30 June 2018 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash and bank balances	46,424,094	-	-	-	46,424,094
Bills and accounts receivable	91,795,001	-	-	-	91,795,001
Other receivables	50,577,189	-	-	-	50,577,189
Non-current assets within					
one year	2,085,986	-	-	-	2,085,986
Long-term receivables	178,251	5,930,470	13,442,174	2,458,639	22,009,534
Total	191,060,521	5,930,470	13,442,174	2,458,639	212,891,804

X. CAPITAL MANAGEMENT AND RISKS ASSOCIATION WITH FINANCIAL INSTRUMENTS (CONTINUED)

2. Financial instruments and risk management (Continued)

(3) Liquidity risk (Continued)

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities -					
Short-term borrowings	55,566,196	–	–	–	55,566,196
Bills and Accounts payable	138,440,148	–	–	–	138,440,148
Employee benefits payable	2,135,207	–	–	–	2,135,207
Other payables	27,157,522	–	–	–	27,157,522
Non-current liabilities within one year	22,434,902	–	–	–	22,434,902
Long-term borrowings	1,071,609	11,823,969	7,301,612	5,988,046	26,185,236
Bonds payable	276,175	3,584,475	5,149,524	–	9,010,174
Long-term payables	14,250	136,455	390,459	427,544	968,708
Total	247,096,009	15,544,899	12,841,595	6,415,590	281,898,093

(4) Transfer of financial assets

Details are set out in Note VII3(2)(c), VII3(3)(e), VII5(6), VII10(2).

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 period

All amounts in RMB'000

Items	Fair value at 30 June 2018			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss	1,857,671	2,810,609	–	4,668,280
1. Held-for-trading financial assets	1,857,671	–	–	1,857,671
2. Other non-current financial assets	–	2,810,609	–	2,810,609
(II) Financial assets at fair value through other comprehensive income	479,140	–	1,429,634	1,908,774
(1) Other equity instrument investment	479,140	–	1,429,634	1,908,774
Total assets that are measured at fair value on a recurring basis	2,336,811	2,810,609	1,429,634	6,577,054

2. The basis of market prices determined on level 1 of the fair value hierarchy

Held-for-trading financial assets and other equity instrument investment are based on their closing prices in the 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
Other non-current financial assets	Discounted cash flow method	Average yield rate of similar products of the same term

XI. FAIR VALUE MEASUREMENTS (CONTINUED)

4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

	Valuation techniques	Key inputs
Other equity instrument investments	Asset-based method/Market method/Income method	Future cash flows, discount rate and price-earning ratio and price-net-asset ratio of comparable listed companies from the same industry

5. Reconciliation information of carrying amount as at 30 June 2018 and at 31 December 2017 on level 3 of the fair value hierarchy

All amounts in RMB'000

	1 January 2018	Increasing investments	Fair value change recognized in other comprehensive income	Decreasing investments	30 June 2018
Other equity instrument investments in private	1,433,135	2,400	(930)	(4,971)	1,429,634

XI. FAIR VALUE MEASUREMENTS (CONTINUED)

6. **There was no transfer between any levels of the fair value hierarchy in the reporting period.**

Applicable Not Applicable

7. **There was no change in the valuation techniques in the reporting period.**

Applicable Not Applicable

8. **Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis**

Bills and accounts receivables, other receivables, long-term receivables, non-current assets due within one year, short-term borrowings, bills and accounts payables, other 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.

Except for the items listed in the table below, the Group considers that the fair value of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Carrying amount as at 30 June 2018	Fair value as at 30 June 2018			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	18,132,301	–	18,099,048	–	18,099,048
1. Long-term borrowings at fixed interest rate	9,869,957	–	9,930,472	–	9,930,472
2. Bonds payable at fixed interest rate	8,262,344	–	8,168,576	–	8,168,576

All amounts in RMB'000

	Carrying amount as at 31 December 2017	Fair value as at 31 December 2017			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	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

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

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 III, 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.

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

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 IX2.

Joint ventures and associates entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Beijing Tiancheng guyun Property Management Co., Ltd.	Joint venture
Beijing New Century Restaurant Co., Ltd.	Joint venture
Chengdu Tianye Construction Engineering Co., Ltd.	Joint venture
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint venture
Guizhou Sanli Highway Construction Co., Ltd.	Joint venture
Guizhou Sanshi Highway Construction Co., Ltd.	Joint venture
Guizhou Ziwang Highway Construction Co., Ltd.	Joint venture
Haikou Wuye Urban Construction Engineering Management Co., Ltd.	Joint venture
Jilin City Jicheng Hada Pipe Network Investment Operation Co., Ltd.	Joint venture
Jianyang MCC Xiongzhou City Development Co., Ltd.	Joint venture
Jiangxi Shangshu Jiasheng City & Town Construction Development Co., Ltd.	Joint venture
Jingmen Metallurgical Construction Co., Ltd.	Joint venture
Langfang Hongqiao Construction Labor Subcontract Co., Ltd.	Joint venture
Liuan MCC Infrastructure Construction Co., Ltd.	Joint venture
Ma'an shan MCC Huaxin Water Environment Water Environment Management Co., Ltd.	Joint venture
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	Joint venture
Meizhou MCC City Construction and Development Co., Ltd.	Joint venture
Meizhou MCC Road Construction and Development Co., Ltd.	Joint venture
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	Joint venture
Ningcheng County HongDa Mining Co., Ltd.	Joint venture
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	Joint venture
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	Joint venture
Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	Joint venture
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Joint venture
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Joint venture
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint venture
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	Joint venture
Wuhan MCC Xianglongchuan River Construction Management Co., Ltd.	Joint venture
Xuzhou MCC Chengdong Express Way Co., Ltd.	Joint venture
Yinchuan Riverfront District Comprehensive Pipe Gallery Management Co. Ltd.	Joint venture
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	Joint venture
Changchun Longxiang Business Center Construction Project Management Co., Ltd.	Joint venture
Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	Joint venture
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Joint venture

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
Chongqing Xiema East & West Main Line Construction Engineering Management Co., Ltd.	Joint venture
Zhuhai MCC Huafumingwan Real Estate Co., Ltd.	Joint venture
Zhuhai MCC Mingheng Real Estate Co., Ltd.	Joint venture
Zhongye Tap Water (Zhumadian) Co., Ltd.	Joint venture
Mianyang MCC Huicai Development and Construction Co., Ltd.	Joint venture
Zhuzhou Beihuan Dafeng Municipal Construction Co., Ltd.	Joint venture
Lahore Xingzhong Renewable Energy Co., Ltd.	Joint venture
Tangshan City Fengrun District Runfeng Infrastructure Development Construction Co., Ltd.	Joint venture
Yibin Yejian Engineering Construction Co., Ltd.	Joint venture
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	Associate
RCC/MCC JOINT VENTURE	Associate
SL-GV-MCC PTE Ltd.	Associate
Anyang MCC Pu'an Highway Engineering Co., Ltd.	Associate
Anshan MCC Jiantou Xinggong Development Co., Ltd.	Associate
Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	Associate
Baiyin Integrated Pipe Network Management Co., Ltd.	Associate
Bengbu MCC Jinlong Real Estate Co., Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Baoye (Philippines) Construction Limited	Associate
Beijing Zhongye HengSheng Real Estate Co., Ltd.	Associate
Bijie Xinye Municipal Engineering Co., Ltd.	Associate
Binhai County Panxi Public Infrastructure Investment and Construction Co., Ltd.	Associate
Binhai County Susheng Transportation Construction Investment Co., Ltd.	Associate
Binzhou City Tiangong Tiehan Infrastructure Construction Co., Ltd.	Associate
Changji City Haichang Project Management Co., Ltd.	Associate
Chengdu City Xindu Shijiu Infrastructure Investment Co., Ltd.	Associate
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Associate
Chengde MCC Construction and Development Co., Ltd.	Associate
Chuzhou Culture Creation Construction and Development Co., Ltd.	Associate
Dujiangyan Railway Transportation Co., Ltd.	Associate
Ezhou Xinsheng Construction Engineering Co., Ltd.	Associate
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Fuzhou MCC Infrastructure Investment Co., Ltd.	Associate
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Associate
Guizhou MCC Infrastructure Investment Co., Ltd.	Associate
Harbin Shuangqi Environmental Resources Co., Ltd.	Associate
Haikou Jinheng Real Estate Management Co., Ltd.	Associate
Haikou Jinhua Real Estate Management Co., Ltd.	Associate
Handan Guorui Construction Engineering Management Co., Ltd.	Associate
Henan Huitai Urban & Rural Construction Co., Ltd.	Associate
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Associate

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
Hengshui Tiangong Municipal Road Project Management Co., Ltd.	Associate
Hengshui MCC Urban Integrated Pipe Network Project Co., Ltd.	Associate
Hohhot Metallurgical Construction Co., Ltd.	Associate
Hohhot Xintianjing Construction Co., Ltd.	Associate
Huai'an Huaguang Construction Investment Co., Ltd.	Associate
Huaibei Shuren Engineering Construction Co., Ltd.	Associate
Huangshi MCC Infrastructure Construction Co., Ltd.	Associate
Huidong County Gaotan Old Revolutionary Base Area Construction Investment Co., Ltd.	Associate
Jishou Tianfu Taigong Construction Co., Ltd.	Associate
Jianyang Tianshun Traffic Investment Co., Ltd.	Associate
Jianyang Zhongye Tianshun Construction Co., Ltd.	Associate
Jiangsu Rongqun Construction and Development Co., Ltd.	Associate
Jiangsu Rongyu Construction Development Co., Ltd.	Associate
Jieshou City Shouye Construction Development Co., Ltd.	Associate
Kunming Shijiu Investment Co., Ltd.	Associate
Kunming MCC Urban Construction Co., Ltd.	Associate
Leshan City Legao Urban Construction Engineering Co., Ltd.	Associate
Leiyang MCC Infrastructure Development Co., Ltd.	Associate
Liangshan MCC Education Construction Investment Co., Ltd.	Associate
Liangshan MCC Culture Construction and Investment Co., Ltd.	Associate
Lu'an MCC Project Management Co., Ltd.	Associate
Longnan Zhonggong Infrastructure Construction Management Co., Ltd.	Associate
Luxi County Zhonggong Transportation & Road Network Construction Management Co., Ltd.	Associate
Luxi Huarui Construction Engineering Management Co., Ltd.	Associate
Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Associate
Luzhou MCC City Construction Development Co., Ltd.	Associate
Ma'anshan Golden Tourism Investment Co., Ltd.	Associate
Ma'anshan City Zhongyu Construction Co., Ltd.	Associate
Ma'anshan MCC High-tech Construction Co., Ltd.	Associate
Ma'anshan MCC Economic Development Company Ltd.	Associate
Ma'anshan MCC Putang Construction Co., Ltd.	Associate
Mianyang MCC Three Highway Development Co., Ltd.	Associate
Mudanjiang MCC Real Estate Co., Ltd.	Associate
Naqu Area Southern New City Integrated Pipe Network Co., Ltd.	Associate
Nanchong Shunjian Urban Construction Management Co., Ltd.	Associate
Nanchong Shunye Investment and Development Co., Ltd.	Associate
Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	Associate
Nanjing Baoye Changqiao Construction Co., Ltd.	Associate
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	Associate
Nanjing Lishui Baoye City Construction Development Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Associate
Nanjing Xiexuan Construction Development Co., Ltd.	Associate
Nanjing Zhongkang Construction and Development Co., Ltd.	Associate

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
Nanjing MCC Zecheng Construction Co., Ltd.	Associate
Nanjing MCC Zepu Construction Development Co., Ltd.	Associate
Nanning City Guoye Infrastructure Construction Investment Co., Ltd.	Associate
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Associate
Ninguo Baoye Urban Construction Co., Ltd.	Associate
Panzhuhua City Huacheng Hospital Management Co., Ltd.	Associate
Panzhuhua MCC Urban Construction Development Co., Ltd.	Associate
Peng'an Pengye Road Development Co., Ltd.	Associate
Pingdu City Exotic Town Investment Co., Ltd.	Associate
Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	Associate
Puyang New Sunshine Construction Management Co., Ltd.	Associate
Puyang MCC Longhu Construction and Development Co., Ltd.	Associate
Qiqihar North MCC Real Estate Co., Ltd.	Associate
Qiqihar Binjiang Avenue Construction Investment Co., Ltd.	Associate
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd.	Associate
Renqiu MCC Infrastructure Construction Co., Ltd.	Associate
Rui'an City Huibo Investment Co., Ltd.	Associate
Ruili City MCC Infrastructure Investment and Construction Co., Ltd.	Associate
Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	Associate
Shangqiu City Tiangong Engineering Management Co., Ltd.	Associate
Shanghai Baoye Commercial Concrete Co., Ltd.	Associate
Shanghai Libo Labor Service Co., Ltd.	Associate
Shanghai United Automobile Road Construction Development Co., Ltd.	Associate
Shanghai Tongjibao Construction Robot Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Shanghai MCC Jiahe Real Estate Co., Ltd.	Associate
Shanghai MCC Xiangqi Investment Co., Ltd.	Associate
Shenzhen Nuclear Power & Machine Electricity Installment and Maintenance Co., Ltd.	Associate
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	Associate
Shiyan Baoye Urban Construction Co., Ltd.	Associate
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
Shizuishan City Integrated Pipe Network Construction Development Co., Ltd.	Associate
Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	Associate
Shuicheng County Lanhai Huaxing Education Investment Construction Co., Ltd.	Associate
Sichuan HangYe Industrial Co., Ltd.	Associate
Siping Sili Pipe Network Construction Operation Co., Ltd.	Associate
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Suining Shijiu Zhongjian Municipal Infrastructure Investment Co., Ltd.	Associate
Taizhou Baoye Construction Co., Ltd.	Associate
Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	Associate

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
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Associate
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associate
Tengchong City MCC Infrastructure Investment and Construction Co., Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Tianjin MCC Jincheng Real Estate Co., Ltd.	Associate
Tianjin MCC Jinyu Real Estate Co., Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associate
Weifang MCC Tourism Investment Development Co., Ltd.	Associate
Wenzhou Huiye Construction and Investment Co., Ltd.	Associate
Wuhai MCC Futai Construction Co., Ltd.	Associate
Wulanchabu City Zhuoliang Traffic Investment Co., Ltd.	Associate
Urumqi MCC Pipe Network Construction Management Co., Ltd.	Associate
Wuhan Hanwei Refining Engineering Co., Ltd.	Associate
Wuhan Lvyuan Construction Engineering Co., Ltd.	Associate
Wuhan Yangluo Heart Construction Development Co., Ltd.	Associate
Wuhan Zhonghe Engineering Technique Co., Ltd.	Associate
Wuhan MCC Xin'ao Property Management Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Xichang Yuliang Bochuang Investment and Construction Co., Ltd.	Associate
Xiangtan Bridge Project Management Co., Ltd.	Associate
Xiangtan Wanfeng Development and Construction Co., Ltd.	Associate
Xiangtan MCC Jianxin Project Management Co., Ltd.	Associate
Xiangxi Houyi Tiangong Tourism Artery Road Construction Operation Co., Ltd.	Associate
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	Associate
Xiangyang China First Metallurgical Dongyuan Island Landscape Construction and Management Co., Ltd.	Associate
Xiaogan Xinyecheng Integrated Pipe Network Construction Investment Co., Ltd.	Associate
Xiaoyi City Hubin Road Primary School Construction Engineering Management Co., Ltd.	Associate
MCC Suzhou SUMA Construction Development Co., Ltd.	Associate
Ya'an Tianshun Kunye Project Management Co., Ltd.	Associate
Yakeshi City Jianyun Management Services Co., Ltd.	Associate
Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	Associate
Yidu City Yiye Municipal Infrastructure Construction Management Co., Ltd.	Associate
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	Associate
Yinchuan City Mancheng Street Underground Integrated Pipe Network Construction Management Co., Ltd.	Associate
CERI Yingkou Construction Development Co., Ltd.	Associate
Yongkang City Gushan Farmers's Market Construction Co., Ltd.	Associate
Yongkang City Gushan Small City Service Function Area Construction Co., Ltd.	Associate
Yushan County Yusheng Construction Engineering Investment Co., Ltd.	Associate

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
Yuechi MCC Tiantai construction Co., Ltd.	Associate
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Associate
Zhangpu Chengye Construction Investment Co., Ltd.	Associate
Changchun Airport MCC Infrastructure Construction Operation Co., Ltd.	Associate
Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	Associate
Changchun Runde Construction Project Management Co., Ltd.	Associate
Changsha Happy Ocean Park Co., Ltd.	Associate
Changsha City Zhongye Pipe Network Construction and Development Co., Ltd.	Associate
Changsha MCC Kaixin Project Management Co., Ltd.	Associate
Zhejiang MCC Investment Management Co., Ltd.	Associate
Zhengzhou Huipu Urban and Rural Construction Co., Ltd.	Associate
Zhengzhou MCC Infrastructure Construction Development Co., Ltd.	Associate
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Associate
MCC-Huafa Integrated Pipe Network Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate
WISDRI (Xinyu) Cold Rolling New Material Technology Co., Ltd.	Associate
Wuhan MCC Lutheran Brothers Sun Donglin Engineering Technology Co., Ltd.	Associate
Chongqing Beifei Shiping Infrastructure Construction Co., Ltd.	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Chongqing Hengyi Engineering Project Management Co., Ltd.	Associate
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	Associate
Chongqing Hechuan MCC Tiangong Infrastructure Project Management Co., Ltd.	Associate
Chongqing Wansheng Xihua Road Construction Co., Ltd.	Associate
Chongqing Xinlian Steel Equipment Technique Co., Ltd.	Associate
Chongqing Yutao Shengye Big Data Co., Ltd.	Associate
Zhuhai MCC Jianxin Investment Management Partnership (LP)	Associate
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Associate
Zoucheng Jianye Shengcheng Culture Development Co., Ltd.	Associate
Zunyi Tianchen Infrastructure Investment Construction Co., Ltd.	Associate

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Other related parties of the Group

Other related parties entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows, such transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.:

Name of other related parties	Relationship with the Group
MCC Asset Management Co., Ltd.	Under common control by CMGC
MCC Ruimu Ampere Technology Limited	Under common control by CMGC
Subsidiaries of MCC Asset Management Co., Ltd.:	
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Under common control by CMGC
Beijing MCC Construction Taxi Co., Ltd.	Under common control by CMGC
Subsidiaries of Beijing Dongxing Metallurgical New-Tech & Development Corp.:	
Chengdu Hongqiang Property Management Co., Ltd.	Under common control by CMGC
Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	Under common control by CMGC
Hainan Luda Real Estate Development Co., Ltd.	Under common control by CMGC
Handan Huaye Property Services Co., Ltd.	Under common control by CMGC
Subsidiaries of China Minmetals Corporation :	
China Minmetals Corporation	Under common control by CMC
China Minmetals Corp., Ltd.	Under common control by CMC
Anhui Development Mining Co., Ltd.	Under common control by CMC
Anshan Minmetals Chentaigou Mining Co., Ltd.	Under common control by CMC
Beijing Shengshi Guanghe Investment Management 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
Hongyue Co., Ltd.	Under common control by CMC
Hunan Huangshaping Lead-Zinc Mine	Under common control by CMC
Hunan Jiangnan Steel Structure Co., Ltd.	Under common control by CMC
Hunan Shui Kou Shan Nonferrous Metals Group Co., Ltd.	Under common control by CMC
Hunan Nonferrous Metals Holding Group Co., Ltd.	Under common control by CMC
Hunan Nonferrous High-tech Material Co., Ltd.	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
North China Aluminium Co., Ltd.	Under common control by CMC
Jiangxi Xiushui Xianglushan Tungsten Co., Ltd.	Under common control by CMC
Jinchi Energy Materials 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
Luzhong Mining Co., Ltd.	Under common control by CMC
Shui Kou Shan Nonferrous Metals Group Co., Ltd.	Under common control by CMC
Tianjin Tianma International Club Co., Ltd.	Under common control by CMC

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Other related parties of the Group (Continued)

Name of other related parties	Relationship with the Group
Minmetals Real Estate (Tai'an) Development Co., Ltd.	Under common control by CMC
Minmetals Real Estate (Xiangtan) Development Co., Ltd.	Under common control by CMC
Minmetals Land Holding Co., Ltd.	Under common control by CMC
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Under common control by CMC
The 23rd Metallurgical Construction 1st Engineering Group Co., Ltd. of Minmetals	Under common control by CMC
The 23rd Metallurgical Construction 2nd Engineering Group Co., Ltd. of Minmetals	Under common control by CMC
Minmetals Development Co., Ltd.	Under common control by CMC
Minmetals Steel Co., Ltd.	Under common control by CMC
Minmetals Steel Wuhan Limited Company	Under common control by CMC
Minmetals Steel Beijing Co., Ltd.	Under common control by CMC
Minmetals Steel Chengdu Co., Ltd.	Under common control by CMC
Minmetals Iron and Steel Industry and Trade Tianjin Co., Ltd.	Under common control by CMC
Minmetals Steel Guangzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Harbin Co., Ltd.	Under common control by CMC
Minmetals Steel Hangzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Lanzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Ningbo Industry and Trade Co., Ltd.	Under common control by CMC
Minmetals Steel Qingdao Co., Ltd.	Under common control by CMC
Minmetals Steel Xiamen Co., Ltd.	Under common control by CMC
Minmetals Steel Shanghai Co., Ltd.	Under common control by CMC
Minmetals Steel Shenyang Co., Ltd.	Under common control by CMC
Minmetals Steel Tianjin Co., Ltd.	Under common control by CMC
Minmetals steel Xi'an Co., Ltd.	Under common control by CMC
Minmetals Steel Chongqing Co., Ltd.	Under common control by CMC
Minmetals International Engineering Technology Co., Ltd.	Under common control by CMC
Minmetals International Tendering Co., Ltd.	Under common control by CMC
Minmetals Hanxing Mining (Anhui) Property Management Co., Ltd.	Under common control by CMC
Minmetals Hanxing Mining Co., Ltd.	Under common control by CMC
Minmetals Hanxing Mining Co., Ltd. Beiming River Iron Mine	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 Logistics Hebei Co., Ltd.	Under common control by CMC
Minmetals Logistics Yantai 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 Yingkou Medium Plate Co., Ltd.	Under common control by CMC
China Minmetals Non-ferrous Metals Co., Ltd.	Under common control by CMC
Minmetals Capital Holding Co., Ltd.	Under common control by CMC
Yingkou Plate Factory	Under common control by CMC

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Other related parties of the Group (Continued)

Name of other related parties	Relationship with the Group
Changsha Mining Research Institute Co., Ltd.	Under common control by CMC
Changsha Research Institute of Mining and Metallurgy Co., Ltd.	Under common control by CMC
China Mining Co., Ltd.	Under common control by CMC
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control by CMC
China Minmetals Shenzhen Import and Export Co., Ltd.	Under common control by CMC
Zhuzhou Smelter Group Co., Ltd.	Under common control by CMC
Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	Under common control by CMC
Zhuzhou Cemented Carbide Cutting Tools Co., Ltd.	Under common control by CMC
Zhuoshen Nonferrous Metal Processing Equipment Co., Ltd.	Under common control by CMC

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 period	Amount for the prior period
With companies under common control by CMGC (Note):		2,511	2,372
MCC Asset Management Co., Ltd.	Purchase of goods and Receiving services	2,009	-
Handan Huaye Property Services Co., Ltd.	Receiving services	502	-
Handan Huaye New Type Building Material Co., Ltd.	Purchase of goods	-	1,476
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Receiving services	-	640
Beijing MCC Construction Taxi Co., Ltd.	Receiving services	-	183
Chengdu Hongqiang Property Management Co., Ltd.	Receiving services	-	73

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 period	Amount for the prior period
With companies under common control by CMGC (Note):		418,913	6,792
MCC Ruimu Amperex Technology Limited	Providing services	418,913	–
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	–	6,792
With companies under common control by CMC (Note):		651,309	430,232
Zhuzhou Smelter Group Co., Ltd.	Providing services	278,815	–
Minmetals Yanhu Co., Ltd.	Selling goods and Providing services	164,990	106,237
Kuangjin Real Estate Nanjing Co., Ltd.	Providing services	81,218	–
Beijing Shengshi Guanghe Investment Management Co., Ltd.	Providing services	33,577	–
Minmetals Construction (Yingkou) Hengfu Property Co., Ltd.	Providing services	30,142	–
Hunan Nonferrous Xintian Ridge Tungsten Co., Ltd.	Providing services	17,567	–
Anshan Minmetals Chentaigou Mining Co., Ltd.	Providing services	14,049	–
Minmetals Yingkou Medium Plate Co., Ltd.	Selling goods and Providing services	10,696	7,263
Others	Selling goods and Providing services	20,255	316,732
With joint ventures and associates:		18,696,723	6,117,721
Nanchong Shunjian Urban Construction Management Co., Ltd.	Providing services	1,052,797	–
Yibin Yejian Engineering Construction Co., Ltd.	Providing services	890,761	–
Hohhot Xintianjing Construction Co., Ltd.	Providing services	886,741	–
Si County MCC construction Investment Co., Ltd.	Providing services	720,905	227,795
Guizhou Ziwang Highway Construction Co., Ltd.	Providing services	647,312	378,391
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Providing services	398,302	73,820
Huangshi MCC Infrastructure Construction Co., Ltd.	Providing services	350,462	–

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Liuan MCC Infrastructure Construction Co., Ltd.	Providing services	334,650	–
Guizhou Sanli Highway Construction Co., Ltd.	Providing services	326,477	358,253
Chuzhou Culture Creation Construction and Development Co., Ltd.	Providing services	319,118	–
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	Providing services	313,883	–
Chongqing Beifei Shiping Infrastructure Construction Co., Ltd.	Providing services	306,319	156,237
Chongqing Xiema East & West Main Line Construction Engineering Management Co., Ltd.	Providing services	304,313	–
Henan Huitai Urban & Rural Construction Co., Ltd.	Providing services	296,019	–
Suining Kaihong Construction Development Co., Ltd.	Providing services	290,420	100,750
Guizhou Sanshi Highway Construction Co., Ltd.	Providing services	285,910	225,810
Binzhou City Tiangong Tiehan Infrastructure Construction Co., Ltd.	Providing services	276,000	–
Kunming MCC Urban Construction Co., Ltd.	Providing services	265,806	–
Jiayang Tianshun Traffic Investment Co., Ltd.	Providing services	250,011	56,993
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Providing services	247,909	–
Xiangtan MCC Jianxin Project Management Co., Ltd.	Providing services	242,635	72,421
Yinchuan City Mancheng Street Underground Integrated Pipe Network Construction Management Co., Ltd.	Providing services	216,661	–
Panzhuhua MCC Urban Construction Development Co., Ltd.	Providing services	212,421	87,055
Meizhou MCC Road Construction and Development Co., Ltd.	Providing services	207,590	216,000
Luzhou MCC City Construction Development Co., Ltd.	Providing services	205,752	126,638
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Providing services	203,771	53,972
Tianjin MCC Jincheng Real Estate Co., Ltd.	Providing services	203,766	102,385

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Wenzhou Huiye Construction and Investment Co., Ltd.	Providing services	202,953	–
Urumqi MCC Pipe Network Construction Management Co., Ltd.	Providing services	201,764	–
Nanning City Guoye Infrastructure Construction Investment Co., Ltd.	Providing services	198,661	–
Baiyin Integrated Pipe Network Management Co., Ltd.	Providing services	198,585	248,169
Chongqing Beimeng Project Management Limited Liability Company	Providing services	197,330	78,196
Liangshan MCC Culture Construction and Investment Co., Ltd.	Providing services	194,979	–
Nanjing Zhongkang Construction and Development Co., Ltd.	Providing services	190,025	189,206
Wuhai MCC Futai Construction Co., Ltd.	Providing services	188,490	–
Tianjin Mingjin MCC Real Estate Co., Ltd.	Providing services	182,000	–
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	Providing services	181,944	–
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Providing services	181,636	55,141
Meizhou MCC City Construction and Development Co., Ltd.	Providing services	180,393	281,305
Jiangsu Rongyu Construction Development Co., Ltd.	Providing services	175,333	–
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Providing services	150,162	403,742
Tianjin MCC Jinyu Real Estate Co., Ltd.	Providing services	150,000	–
Chengdu City Xindu Shijiu Infrastructure Investment Co., Ltd.	Providing services	146,879	–
Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	Providing services	144,633	–
Liangshan MCC Education Construction Investment Co., Ltd.	Providing services	138,900	–
Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	Providing services	137,519	–
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	Providing services	134,334	–
Wuhan Zhong Yi Investment Construction Company Ltd.	Providing services	133,800	117,770
Puyang MCC Longhu Construction and Development Co., Ltd.	Providing services	130,608	81,030

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)
5. Related party transactions (Continued)
(1) Purchase or sales of goods, provision or receipt of services (Continued)
(b) Sales of goods and provision of services (Continued)

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Ya'an Tianshun Kunye Project Management Co., Ltd.	Providing services	130,371	–
Nanjing MCC Zepu Construction Development Co., Ltd.	Providing services	125,281	–
Wuhan Yangluo Heart Construction Development Co., Ltd.	Providing services	124,725	14,577
Binhai County Susheng Transportation Construction Investment Co., Ltd.	Providing services	118,141	–
Jiayang Zhongye Tianshun Construction Co., Ltd.	Providing services	116,761	–
Ninguo Baoye Urban Construction Co., Ltd.	Providing services	115,686	–
Zhengzhou Huipu Urban and Rural Construction Co., Ltd.	Providing services	109,000	–
Huidong County Gaotan Old Revolutionary Base Area Construction Investment Co., Ltd.	Providing services	104,333	–
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	Providing services	102,022	82,734
Shangqiu City Tiangong Engineering Management Co., Ltd.	Providing services	101,301	–
Zunyi Tianchen Infrastructure Investment Construction Co., Ltd.	Providing services	100,215	–
Luxi County Zhonggong Transportation & Road Network Construction Management Co., Ltd.	Providing services	99,480	–
Wuhan Lvyan Construction Engineering Co., Ltd.	Providing services	97,751	–
Nanjing Xiexuan Construction Development Co., Ltd.	Providing services	97,453	–
Xiaogan Xinyecheng Integrated Pipe Network Construction Investment Co., Ltd.	Providing services	90,479	–
Ma'anshan City Zhongyu Construction Co., Ltd.	Providing services	86,602	–
Leshan City Legao Urban Construction Engineering Co., Ltd.	Providing services	84,800	–
Shuicheng County Lanhai Huaxing Education Investment Construction Co., Ltd.	Providing services	84,729	–
Tengchong City MCC Infrastructure Investment and Construction Co., Ltd.	Providing services	84,391	–
Zhejiang MCC Investment Management Co., Ltd.	Providing services	78,084	–

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Handan Guorui Construction Engineering Management Co., Ltd.	Providing services	73,943	62,733
Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Providing services	72,013	–
Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	Providing services	71,739	–
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd.	Providing services	70,800	9,009
Xuzhou MCC Chengdong Express Way Co., Ltd.	Providing services	67,908	–
Yuxi Dongye Sponge City Construction and Operation Co., Ltd.	Providing services	67,900	–
Ma'anshan MCC High-tech Construction Co., Ltd.	Providing services	67,443	71,436
Ma'anshan MCC Putang Construction Co., Ltd.	Providing services	66,685	88,202
Lu'an MCC Project Management Co., Ltd.	Providing services	65,987	–
Shizuishan City Integrated Pipe Network Construction Development Co., Ltd.	Providing services	65,402	–
Jianyang MCC Xiongzhou City Development Co., Ltd.	Providing services	62,805	925
Renqiu MCC Infrastructure Construction Co., Ltd.	Providing services	61,932	75,817
Others	Selling goods and Providing services	1,832,922	2,021,209
Total		19,766,945	6,554,745

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

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 period	Leasing income recognized in the current period
Beijing MCC Construction Taxi Co., Ltd.	Buildings and structures	125	136
Total		125	136

(b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Leasing expense recognized in the current period	Leasing expense recognized in the prior period
China Metallurgical Group Corporation (Note)	Buildings and structures	18,471	18,826
Beijing Dongxing Metallurgical New-Tech & Development Corp. (Note)	Buildings and structures	1,819	4,314
MCC Asset Management Co., Ltd. (Note)	Buildings and structures	164	–
Total		20,454	23,140

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(3) Guarantee

(a) Grant guarantees

Applicable Not Applicable

At 30 June 2018, the Group has provided no guarantee 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 on 30 June 2018
China Metallurgical Group Corporation	1,451,580	2017-05-05	2020-05-04	No

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Loans from related parties:				
None.				
Loans to related parties:				
Tianjin MCC Mingrui Real Estate Co., Ltd.	1,541,046	2018-06-20	2018-09-19	general-purpose borrowing
Yibin Yejian Engineering Construction Co., Ltd.	428,757	2018-01-01	2019-01-01	general-purpose borrowing
Jiangsu Rongyu Construction Development Co., Ltd.	400,000	2018-01-12	2019-01-12	general-purpose borrowing
Guangzhou MCC Mingjie Real Estate Co., Ltd.	178,480	2018-06-20	2018-09-19	general-purpose borrowing
Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	151,000	2018-01-01	2018-12-01	general-purpose borrowing
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	108,000	2018-03-20	2019-03-20	general-purpose borrowing
Huidong County Gaotan Old Revolutionary Base Area Construction Investment Co., Ltd.	100,000	2018-02-06	2019-02-06	general-purpose borrowing
Nanjing Pukou Xingbao Construction Development Co., Ltd.	89,089	2018-02-02	2020-03-25	general-purpose borrowing
Zhuhai MCC Mingheng Real Estate Co., Ltd.	80,909	2018-06-25	2018-09-24	general-purpose borrowing
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	60,000	2018-06-12	2019-06-11	general-purpose borrowing
MCC Ruimu Amperex Technology Limited (Note)	50,000	2018-06-29	2019-06-28	general-purpose borrowing
Nanjing Pukou Xingbao Construction Development Co., Ltd.	38,900	2018-02-09	2020-03-25	general-purpose borrowing
Nanjing Xiexuan Construction Development Co., Ltd.	37,000	2018-02-08	2019-02-07	general-purpose borrowing
Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	15,000	2018-04-23	2019-04-22	general-purpose borrowing
Nanjing Pukou Xingbao Construction Development Co., Ltd.	12,000	2018-05-29	2020-03-25	general-purpose borrowing
Nanjing Pukou Xingbao Construction Development Co., Ltd.	10,000	2018-05-03	2020-03-25	general-purpose borrowing
Panzhuhua MCC Urban Construction Development Co., Ltd.	8,000	2018-06-20	2019-06-19	general-purpose borrowing
Total	3,308,181	/	/	/

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 7.20%.

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation of key management personnel

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Compensation of key management personnel	2,738	2,357

(6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related party	Amount for the current period	Amount for the prior period
Interest income	Zhuhai MCC Mingheng Real Estate Co., Ltd.	119,206	–
Interest income	Tianjin MCC Mingrui Real Estate Co., Ltd.	68,619	–
Interest income	Guangzhou MCC Minghui Real Estate Co., Ltd.	62,183	43,258
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	51,290	–
Interest income	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	41,462	–
Interest income	Tianjin MCC Xinhua Real Estate Co., Ltd.	18,929	–
Interest income	Nanjing Pukou Xingbao Construction Development Co., Ltd.	17,021	–
Interest income	Kunming MCC Urban Construction Co., Ltd.	11,084	–
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	10,724	6,342
Interest income	Tianjin SERI Machinery Equipment Corporation Ltd.	7,404	–
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	7,208	7,208
Interest income	Jianyang Zhongye Tianshun Construction Co., Ltd.	5,524	–
Interest income	Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	3,548	–
Interest income	Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	3,491	–
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	2,851	2,851
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	2,554	1,097
Interest income	Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	2,501	–
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	2,298	2,298

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 period	Amount for the prior period
Interest income	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	1,889	2,567
Interest income	Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	1,861	–
Interest income	Binhai County Panxi Public Infrastructure Investment and Construction Co., Ltd.	1,048	–
Interest income	Jianyang Tianshun Traffic Investment Co., Ltd.	1,000	–
Interest income	Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	780	–
Interest income	Nanjing Xiexuan Construction Development Co., Ltd.	679	–
Interest income	Tianjin MCC Jinyu Real Estate Co., Ltd.	608	4,019
Interest income	Zhongye Tap Water (Zhumadian) Co., Ltd.	516	–
Interest income	Suining Shijiu Zhongjian Municipal Infrastructure Investment Co., Ltd.	142	–
Interest income	Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	107	–
Interest income	Hebei MCC Mingrun Real Estate Development Co., Ltd.	–	17,972
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	–	3,607
Total interest income		446,527	91,219
Interest expenses	China Metallurgical Group Corporation <i>(Note)</i>	11,652	10,997
Interest expenses	China National Foreign Trade Financial & Leasing Co., Ltd. <i>(Note)</i>	3,240	–
Total interest expenses		14,892	10,997

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties

(1) Receivables

All amounts in RMB'000

Items	Related parties	30 June 2018		31 December 2017	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Baiyin Integrated Pipe Network Management Co., Ltd.	262,553	13,128	143,348	-
Accounts receivable	Meizhou MCC City Construction and Development Co., Ltd.	224,447	2,353	133,185	-
Accounts receivable	Panzhuhua MCC Urban Construction Development Co., Ltd.	144,983	-	8,670	-
Accounts receivable	Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	130,772	-	176,418	-
Accounts receivable	Suining Kaihong Construction Development Co., Ltd.	123,810	-	56,921	-
Accounts receivable	Guizhou Sanshi Highway Construction Co., Ltd.	121,938	1,326	70,192	201
Accounts receivable	Nanjing Pukou Xingbao Construction Development Co., Ltd.	117,674	-	73,903	-
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	116,989	-	113,423	6,346
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	109,394	9,132	110,227	9,120
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	105,925	1,106	115,095	1,431
Accounts receivable	Minmetals Yanhu Co., Ltd.	97,669	-	7,040	-
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	85,081	4,254	118,553	5,928
Accounts receivable	MCC Suzhou SUMA Construction Development Co., Ltd.	84,905	-	89,852	-
Accounts receivable	Wuhai MCC Futai Construction Co., Ltd.	83,690	4,185	-	-
Accounts receivable	Wuzhong City Underground Integrated Pipe Network Co., Ltd.	77,697	3,885	-	-
Accounts receivable	Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	76,484	-	73,484	-
Accounts receivable	Chongqing Beimeng Project Management Limited Liability Company	73,584	-	4,579	-
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	68,126	22,520	68,126	21,572
Accounts receivable	Huangshi MCC Infrastructure Construction Co., Ltd.	66,395	8,041	86,395	6,264
Accounts receivable	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	65,103	-	116,946	-
Accounts receivable	Siping Sili Pipe Network Construction Operation Co., Ltd.	63,070	3,154	-	-
Accounts receivable	Others	1,823,538	82,282	1,928,882	48,418
Total		4,123,827	155,366	3,495,239	99,280

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	30 June 2018		31 December 2017	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Zuhai MCC Mingheng Real Estate Co., Ltd.	3,554,720	–	4,912,238	–
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	2,722,445	–	727,641	–
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	1,897,299	–	1,718,008	–
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,872,187	424,553	1,861,453	424,553
Other receivables	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	1,510,584	–	1,425,075	–
Other receivables	Qiqihar North MCC Real Estate Co., Ltd.	1,189,753	–	1,143,448	–
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	937,200	–	1,314,200	–
Other receivables	Nanchong Shunjian Urban Construction Management Co., Ltd.	568,856	28,286	96,400	4,820
Other receivables	Jianyang MCC Xiongzhou City Development Co., Ltd.	568,609	9,978	239,599	11,977
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	516,225	–	509,015	–
Other receivables	Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	499,254	–	–	–
Other receivables	Kunming MCC Urban Construction Co., Ltd.	445,148	–	444,044	–
Other receivables	Yibin Yejian Engineering Construction Co., Ltd.	428,862	21,439	–	–
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,942	330,438	415,942	324,460
Other receivables	Jiangsu Rongyu Construction Development Co., Ltd.	400,200	20,000	–	–
Other receivables	Nanchong Shunye Investment and Development Co., Ltd.	275,891	13,795	137,259	6,863
Other receivables	Jianyang Zhongye Tianshun Construction Co., Ltd.	234,709	–	252,185	–
Other receivables	Tianjin SERI Machinery Equipment Corporation Ltd.	221,133	133,729	213,729	133,729
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	205,580	116,642	205,580	116,642
Other receivables	Urumqi MCC Pipe Network Construction Management Co., Ltd.	200,000	–	–	–
Other receivables	Chongqing Taoye Yunxi Big Data Management Co., Ltd.	193,651	9,840	50,374	2,519
Other receivables	Changchun Longxiang Business Center Construction Project Management Co., Ltd.	186,556	–	186,556	–
Other receivables	Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	184,030	–	178,982	–
Other receivables	Ningcheng County HongDa Mining Co., Ltd.	173,278	173,278	161,987	161,987
Other receivables	Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	164,860	–	101,359	–
Other receivables	Tianjin Mingjin MCC Real Estate Co., Ltd.	159,817	–	67,838	–
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	156,513	–	150,996	–
Other receivables	Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	155,949	–	–	–
Other receivables	Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	108,713	5,443	8,070	786

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	30 June 2018		31 December 2017	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Mianyang MCC Huicai Development and Construction Co., Ltd.	102,654	5,133	704	35
Other receivables	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	101,820	–	60,674	–
Other receivables	Huidong County Gaotan Old Revolutionary Base Area Construction Investment Co., Ltd.	100,000	5,000	–	–
Other receivables	Yuechi MCC Tiantai construction Co., Ltd.	90,018	–	50,618	–
Other receivables	Shanghai MCC Jiahe Real Estate Co., Ltd.	88,023	–	–	–
Other receivables	Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	87,666	–	85,805	–
Other receivables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	80,931	4,186	80,931	4,186
Other receivables	Tianjin MCC Xinhua Real Estate Co., Ltd.	78,782	41,302	60,623	34,842
Other receivables	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	78,341	–	59,469	–
Other receivables	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	76,110	–	73,787	–
Other receivables	Mudanjiang MCC Real Estate Co., Ltd.	74,686	36,335	71,295	21,389
Other receivables	Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	70,802	–	26,022	–
Other receivables	Luzhou MCC City Construction Development Co., Ltd.	68,500	–	1,800	–
Other receivables	Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	60,000	3,000	–	–
Other receivables	Others	814,203	28,474	1,372,413	39,940
Total		22,120,500	1,410,851	18,466,119	1,288,728
Prepayments	Minmetals Steel Chengdu Co., Ltd.	113,960	–	69,143	–
Prepayments	Minmetals International Engineering Technology Co., Ltd.	63,263	–	49,393	–
Prepayments	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	44,900	–	–	–
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	30,287	–	29,688	–
Prepayments	Wuhan Hanwei Refining Engineering Co., Ltd.	14,279	–	26,252	–
Prepayments	Minmetals Steel Beijing Co., Ltd.	12,644	–	–	–
Prepayments	Others	49,658	–	17,374	–
Total		328,991	–	191,850	–
Long-term receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	2,300,000	–	2,300,000	–
Long-term receivables	Nanjing Pukou Xingbao Construction Development Co., Ltd.	646,689	–	496,700	–
Long-term receivables	Chongqing Beiming Project Management Limited Liability Company	175,290	–	175,290	–
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	–
Total		3,121,979	–	8,368,229	–

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	30 June 2018	31 December 2017
Accounts payable	Minmetals Steel Tianjin Co., Ltd.	160,882	128,498
Accounts payable	Minmetals Steel Wuhan Limited Company	150,083	183,717
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	101,041	102,138
Accounts payable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	97,227	85,762
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	84,728	123,914
Accounts payable	Minmetals Steel Lanzhou Co., Ltd.	66,734	12,855
Accounts payable	Minmetals steel Xi'an Co., Ltd.	63,955	33,037
Accounts payable	Minmetals Steel Shanghai Co., Ltd.	55,211	34,928
Accounts payable	Minmetals Steel Qingdao Co., Ltd.	50,909	29,002
Accounts payable	Minmetals Steel Harbin Co., Ltd.	43,505	32,323
Accounts payable	Minmetals Steel Shenyang Co., Ltd.	36,664	51,482
Accounts payable	Minmetals Steel Xiamen Co., Ltd.	35,823	47,327
Accounts payable	Minmetals Steel Beijing Co., Ltd.	35,103	52,644
Accounts payable	Others	237,972	95,928
Total		1,219,837	1,013,555

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	30 June 2018	31 December 2017
Other payables	China Metallurgical Group Corporation	1,027,853	175,198
Other payables	Chengde MCC Construction and Development Co., Ltd.	390,000	390,000
Other payables	Minmetals Steel Chengdu Co., Ltd.	225,626	109,990
Other payables	Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	153,678	151,764
Other payables	Anyang MCC Pu'an Highway Engineering Co., Ltd.	150,000	–
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	68,469
Other payables	Hunan Huangshaping Lead-Zinc Mine	67,808	–
Other payable	Zhejiang MCC Investment Management Co., Ltd.	40,010	40,010
Other payable	Beijing Dongxing Metallurgical New-Tech & Development Corp.	36,180	36,659
Other payable	Wuzhong City Underground Integrated Pipe Network Co., Ltd.	24,027	–
Other payables	Shanghai United Automobile Road Construction Development Co., Ltd.	24,000	4,000
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	23,453	23,453
Other payables	MCC Ruimu Amperex Technology Limited	22,971	–
Other payables	Others	44,903	3,139,552
Total		2,298,978	4,139,095
Contract liabilities	MCC Ruimu Amperex Technology Limited	462,311	–
Contract liabilities	Ma'anshan MCC Putang Construction Co., Ltd.	400,762	66,448
Contract liabilities	Leshan City Legao Urban Construction Engineering Co., Ltd.	314,514	–
Contract liabilities	Zhuzhou Smelter Group Co., Ltd.	253,516	–
Contract liabilities	Shiyan Baoye Urban Construction Co., Ltd.	190,000	–
Contract liabilities	Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	182,241	203,527
Contract liabilities	Nanjing MCC Zecheng Construction Co., Ltd.	137,550	17,185
Contract liabilities	Ma'anshan MCC High-tech Construction Co., Ltd.	124,937	37,725
Contract liabilities	Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	117,097	–

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	30 June 2018	31 December 2017
Contract liabilities	Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	102,082	–
Contract liabilities	Xuzhou MCC Chengdong Express Way Co., Ltd.	95,657	–
Contract liabilities	Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	91,417	–
Contract liabilities	Wuhan MCC Xianglongchuan River Construction Management Co., Ltd.	80,983	–
Contract liabilities	Dujiangyan Railway Transportation Co., Ltd.	69,060	–
Contract liabilities	Chengde MCC Contraction and Development Co., Ltd.	65,276	7,643
Contract liabilities	Chengdu Tianye Construction Engineering Co., Ltd.	61,499	–
Contract liabilities	Minmetals Yanhu Co., Ltd.	60,633	–
Contract liabilities	Anyang MCC Pu'an Highway Engineering Co., Ltd.	53,127	81,952
Contract liabilities	Zhuzhou Beihuan Dafeng Municipal Construction Co., Ltd.	50,970	–
Contract liabilities	Others	447,340	759,873
Total		3,360,972	1,174,353
Long-term borrowings	China National Foreign Trade Financial & Leasing Co., Ltd.	627,916	724,237
Total		627,916	724,237
Non-current liabilities due within one year	China National Foreign Trade Financial & Leasing Co., Ltd.	258,608	252,609
Non-current liabilities due within one year	China Metallurgical Group Corporation	78,980	–
Total		337,588	252,609
Long-term payable	China Metallurgical Group Corporation	300,000	378,980
Long-term payable	China National Foreign Trade Financial & Leasing Co., Ltd.	35,320	69,820
Total		335,320	448,800

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties but not recognized in the balance sheet were as follows:

Lease:

All amounts in RMB'000

Items	Related parties	30 June 2018	31 December 2017
Leases from	China Metallurgical Group Corporation	16,111	29,852
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	4,123	6,005
Total		20,234	35,857

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	30 June 2018	31 December 2017
Buildings, structures and equipment	23,919,990	23,993,163
Intangible assets	4,292,514	4,292,514
Total	28,212,504	28,285,677

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	30 June 2018	31 December 2017
Within 1 year	35,918	47,935
1 to 2 years	13,859	9,967
2 to 3 years	10,030	9,735
Over 3 years	41,223	41,058
Total	101,030	108,695

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) Pending litigation or arbitration

As at 30 June 2018, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB3,501,603,000.

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be recognized 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 recognized for the above pending lawsuits if management estimates the outflow of resources is not probable. As at 30 June 2018, management has recognized provision for pending lawsuits of RMB8,997,000, details of which are set out in Note VII35.

XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Significant contingencies at the balance sheet date (Continued)

(b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Guaranteed amount
Mortgage guarantees (Note)	8,679,539

Note: The Group's subsidiaries in property development sector would provide mortgage guarantees to the property purchasers as it is a common practice in property development industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

(c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013. In the progress of linkage trial run, 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 recognized in these financial statements.

XIV. EVENTS AFTER THE BALANCE SHEET DATES

As at the day of approval of the financial statement, the Group has no significant post balance sheet date events.

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 and the segment information is disclosed.

Operating segment is a component of the Group which is satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the financial position, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

(a) Segment information for the six months ended 30 June 2018 and as at 30 June 2018

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	111,238,227	10,487,722	3,262,958	3,213,019	1,666,228	-	(3,755,581)	126,112,573
Including: Revenue from external customers	108,630,509	10,453,117	2,877,162	3,212,223	939,562	-	-	126,112,573
Revenue between segments	2,607,718	34,605	385,796	796	726,666	-	(3,755,581)	-
Operating costs	100,528,921	7,392,194	2,895,060	2,024,821	1,475,654	-	(3,675,551)	110,641,099
Including: External costs	97,868,955	7,357,494	2,640,840	2,024,821	748,989	-	-	110,641,099
Costs between segments	2,659,966	34,700	254,220	-	726,665	-	(3,675,551)	-
Operating profit/(loss)	2,454,789	1,855,416	14,710	498,230	235,415	(72,748)	(76,046)	4,909,766
Including: Interest income	410,598	360,298	13,438	6,832	494,194	-	(275,864)	1,009,496
Interest expense	1,167,007	412,717	59,497	234,340	363,806	-	(275,864)	1,961,503
Investment income/(loss) from associates and joint ventures	(56,495)	20,177	-	-	8	-	-	(36,310)
Non-operating income	147,108	23,558	8,503	23,474	1,145	-	-	203,788
Non-operating expenses	429,908	12,841	7,021	20	116	-	-	449,906
Total profit/(loss)	2,171,989	1,866,133	16,192	521,684	236,444	(72,748)	(76,046)	4,663,648
Income tax expenses	521,311	561,988	32,607	2,109	46,665	-	-	1,164,680
Net profit/(loss)	1,650,678	1,304,145	(16,415)	519,575	189,779	(72,748)	(76,046)	3,498,968
Assets	324,526,962	113,650,227	13,775,022	18,681,376	37,277,220	4,837,322	(71,511,826)	441,236,303
Including: Long-term equity investments in associates and joint ventures	10,158,063	833,056	-	66	10,656	-	-	11,001,841
Non-current assets	34,546,807	6,749,553	4,367,977	13,088,896	13,510,870	-	(9,029,072)	63,235,031
Liabilities	268,347,406	81,461,890	10,461,319	20,090,414	28,800,283	173,233	(69,701,628)	339,632,917
Depreciation and amortization expenses	870,406	42,969	149,275	384,445	60,999	-	-	1,508,094
Asset impairment losses and credit impairment losses	1,818,891	199,850	(15,255)	5,239	1,031	-	-	2,009,756
Increase in other non-current assets other than long-term equity investments	816,341	1,752,710	28,536	116,544	8,094	-	-	2,722,225

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment (Continued)

(b) Segment information for the six months ended 30 June 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	86,848,396	10,144,056	2,530,369	2,506,503	864,815	-	(1,808,652)	101,085,487
Including: Revenue from external customers	85,587,190	10,104,009	2,417,905	2,498,359	478,024	-	-	101,085,487
Revenue between segments	1,261,206	40,047	112,464	8,144	386,791	-	(1,808,652)	-
Operating costs	77,369,756	7,655,959	2,250,011	1,789,573	695,211	-	(1,799,857)	87,960,653
Including: External costs	76,114,672	7,615,580	2,139,694	1,782,288	308,419	-	-	87,960,653
Costs between segments	1,255,084	40,379	110,317	7,285	386,792	-	(1,799,857)	-
Operating profit/(loss)	2,462,120	1,447,868	(139,028)	(48,017)	203,228	(76,252)	(5,784)	3,844,135
Including: Interest income	51,900	54,653	19,690	4,424	558,640	-	(281,366)	407,941
Interest expense	1,033,737	185,272	65,328	265,505	411,528	-	(281,366)	1,680,004
Investment income/(loss) from associates and joint ventures	(76,242)	5,716	-	-	391	-	-	(70,135)
Non-operating income	118,284	42,253	31,947	4,328	11,742	-	-	208,554
Non-operating expenses	26,588	47,118	4,153	174	444	-	-	78,477
Total profit/(loss)	2,553,816	1,443,003	(111,234)	(43,863)	214,526	(76,252)	(5,784)	3,974,212
Income tax expenses	597,775	384,522	17,035	24	57,001	-	-	1,056,357
Net profit/(loss)	1,956,041	1,058,481	(128,269)	(43,887)	157,525	(76,252)	(5,784)	2,917,855
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	797,832	39,650	164,998	456,543	72,861	-	-	1,531,884
Assets impairment losses	1,154,560	8,198	47,611	150,479	541	-	-	1,361,389
Increase in other non-current assets other than long-term equity investments	2,060,411	228,041	51,014	85,447	49,377	-	-	2,474,290

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	January to June 2018	January to June 2017
China	115,009,056	90,395,580
Other countries/regions	11,103,517	10,689,907
Total	126,112,573	101,085,487

All amounts in RMB'000

Non-current assets	30 June 2018	31 December 2017
China	51,900,880	48,176,290
Other countries/regions	11,334,151	11,522,567
Total	63,235,031	59,698,857

(b) The dependency on major customers

There is no external customer the revenue from whom counted over 10% of the operating revenue of the Group.

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

2. Net current assets and total assets less current liabilities

(1) Net current assets

All amounts in RMB'000

	30 June 2018	31 December 2017
Current assets	347,011,281	322,328,945
Less: Current liabilities	303,021,197	280,135,184
Net current assets	43,990,084	42,193,761

(2) Total assets less current liabilities

All amounts in RMB'000

	30 June 2018	31 December 2017
Total Assets	441,236,303	414,565,174
Less: Current liabilities	303,021,197	280,135,184
Total assets less current liabilities	138,215,106	134,429,990

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

3. Earnings per share

(1) When calculating earnings per share, net profit for the current period attributable to ordinary shareholders

All amounts in RMB'000

	January to June 2018	January to June 2017
Net profit for the current period attributable to shareholders of the Company	2,907,197	2,674,676
Including: Net profit from continuing operations	2,907,197	2,674,676
Less: Net profit belong to the perpetual bond holders	453,886	322,339
Net profit for the current period attributable to ordinary shareholders	2,453,311	2,352,337

(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

	January to June 2018	January to June 2017
Number of outstanding ordinary shares at 31 December 2017	20,723,619	20,723,619
Add: Weighted average number of ordinary shares issued during the period	—	—
Less: Weighted average number of ordinary shares repurchased during the period	—	—
Number of ordinary shares outstanding at 30 June 2018	20,723,619	20,723,619

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

3. Earnings per share (Continued)

(3) Earnings per share

All amounts in RMB'000

	January to June 2018	January to June 2017
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.12	0.11
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.12	0.11
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	Not applicable	Not applicable
Diluted earnings per share	Not applicable	Not applicable

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Bills and accounts receivable

(1) Presentation of bills and accounts receivable

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Bills receivable	–	–
Accounts receivable	810,216	588,374
Total	810,216	588,374

(2) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	457,330	188,167
1 to 2 years	53,182	104,006
2 to 3 years	–	–
3 to 4 years	40,369	40,369
4 to 5 years	3,735	5,645
Over 5 years	427,129	421,716
Total book value	981,745	759,903
Less: provisions for bad debts	171,529	171,529
Carrying amount	810,216	588,374

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions.

- (3) For the period ended 30 June 2018, the Company didn't make provision for bad debts of accounts receivable, and has recovered or reversed no bad debts provision for accounts receivable.

Applicable Not Applicable

- (4) For the period ended 30 June 2018, there was no account receivable written off.

Applicable Not Applicable

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Bills and accounts receivable (Continued)

(5) The top 5 largest accounts receivable at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Company	30 June 2018	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the period
Party 1	Third party	438,040	44.62	–
Party 2	Subsidiary	281,305	28.65	–
Party 3	Third party	118,382	12.06	118,277
Party 4	Third party	72,472	7.38	–
Party 5	Third party	46,454	4.73	46,454
Total	/	956,653	97.44	164,731

- (6) As at 30 June 2018, 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 2017: nil).

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	15,260,030	5,903,122
1 to 2 years	3,411,734	5,433,218
2 to 3 years	3,144,917	3,083,522
3 to 4 years	9,867,495	10,241,575
4 to 5 years	3,124,125	3,516,821
Over 5 years	7,782,022	7,763,392
Total book value	42,590,323	35,941,650
Less: provisions for bad debts	6,547,621	6,539,578
Carrying amount	36,042,702	29,402,072

(2) For the current period, the Company had provided bad debts of RMB8,043,000, and had no bad debts provision recovered or reversed.

Applicable Not Applicable

(3) There were no other receivables written off during the current period.

Applicable Not Applicable

(4) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	30 June 2018	31 December 2017
Subsidiaries of the Company	42,534,240	35,886,573
Guarantees and deposits	54,398	54,335
Others	1,685	742
Total	42,590,323	35,941,650

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(5) The top 5 largest other receivables at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	30 June 2018	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the period
Party 1	Subsidiary	Advance Money/ Internal loan	20,900,066	Within 4 years	49.07	–
Party 2	Subsidiary	Advance Money/ Internal loan	7,172,858	Within 6 years	16.84	3,719,055
Party 3	Subsidiary	Advance Money/ Internal loan	2,812,344	Within 4 years	6.60	–
Party 4	Subsidiary	Advance Money/ Internal loan	2,776,672	Within 7 years	6.53	2,776,671
Party 5	Subsidiary	Internal loan	1,194,284	Within 2 years	2.80	–
Total	/	/	34,856,224	/	81.84	6,495,726

(6) As at 30 June 2018, 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 2017: nil).

Applicable Not Applicable

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term receivables

All amounts in RMB'000

Items	30 June 2018			31 December 2017			Discount rate interval
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Receivables from subsidiaries of the Company	5,612,876	145,899	5,466,977	5,578,767	152,784	5,425,983	/
Others	2,037	–	2,037	2,037	–	2,037	/
Total	5,614,913	145,899	5,469,014	5,580,804	152,784	5,428,020	/
Less: Long term receivables due within one year	1,277,037	–	1,277,037	1,277,037	–	1,277,037	/
Long term receivables due after one year	4,337,876	145,899	4,191,977	4,303,767	152,784	4,150,983	/

As at 30 June 2018, the Company had no derecognized long-term receivables due to the transfer of substantially all the risks and rewards of ownership of the long-term receivables to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2017: nil).

4. Long-term equity investments

All amounts in RMB'000

Items	30 June 2018			31 December 2017		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	86,374,960	175,034	86,199,926	85,746,150	175,034	85,571,116
Joint ventures and associates	462,545	113,146	349,399	383,711	113,146	270,565
Total	86,837,505	288,180	86,549,325	86,129,861	288,180	85,841,681

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments (Continued)

(1) Subsidiaries

All amounts in RMB'000

Company name	31 December	Increase	Decrease	30 June 2018	Provision for impairment losses for the current period	Impairment	
	2017					June 2018	Carrying amount on 30 June 2018
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	254,972	-	-	254,972	-	-	254,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	5,093,638	628,810	-	5,722,448	-	-	5,722,448
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 Tongxin Resources Ltd.	3,483,328	-	-	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	7,170,194	-	-	7,170,194	-	-	7,170,194
MCC Real Estate Group Co., Ltd.	5,814,517	-	-	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.	2,743,939	-	-	2,743,939	-	-	2,743,939
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037
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.	2,085,910	-	-	2,085,910	-	-	2,085,910
China MCC 19 Group Co., Ltd.	2,974,357	-	-	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 Co., Ltd.	6,710,953	-	-	6,710,953	-	-	6,710,953

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

All amounts in RMB'000

Company name	31 December 2017	Increase	Decrease	30 June 2018	Provision for impairment losses for the current period	Impairment	
						provision on 30 June 2018	Carrying amount on 30 June 2018
Huatian Engineering & Technology Corporation, MCC	2,156,648	-	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,755,361	-	-	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	5,393,412	-	-	5,393,412	-	-	5,393,412
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
MCC 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
Indirect holding subsidiaries	744,000	-	-	744,000	-	-	744,000
Total	85,746,150	628,810	-	86,374,960	-	175,034	86,199,926

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Carrying amount on 31 December 2017	Movements during the current period							Carrying amount on 30 June 2018	Impairment Provision at the end of the period
		Increasing investments	Decreasing investments	Share of (losses)/profits	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	100,942	-	-	687	-	-	-	-	101,629	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	99,064	-	-	(367)	-	-	-	-	98,697	-
MCC Jianxin Investment Fund Management Co., Ltd.	53,881	-	-	256	-	-	-	-	54,137	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	16,678	-	-	(3,670)	-	-	-	-	13,008	-
Yingtian City MCC Xinyin Industry Development Partnership (limited partnership)	-	81,928	-	-	-	-	-	-	81,928	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	113,146
Total	270,565	81,928	-	(3,094)	-	-	-	-	349,399	113,146

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Credit loans	25,621,617	20,310,515
RMB	23,150,000	19,803,393
USD	2,364,962	326,710
Others	106,655	180,412
Total	25,621,617	20,310,515

(2) As at 30 June 2018, there were no significant short-term borrowings overdue but not yet paid.

(3) For period ended 30 June 2018, the weighted average interest rate of short-term borrowings was 4.18% per annum (for period ended 30 June 2017: 3.79% per annum).

6. Other payables

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Subsidiaries	10,774,835	13,272,140
Other related parties within CMC	223,626	107,990
Interest payable	348,601	242,298
Dividends payable	1,787,405	443,643
Others	599,079	538,517
Total	13,733,546	14,604,588

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7. Non-current liabilities due within one year

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Long-term borrowings due within one year (Note XVI8)	3,867,312	3,290,944
Long-term employee benefits due within one year	2,347	2,347
Long-term payables due within one year	78,980	–
Long-term Bonds payable due within one year	2,704,000	2,704,000
Total	6,652,639	5,997,291

8. Long-term borrowings

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Mortgaged loans:		
RMB	–	400,000
Credit loans:		
RMB	6,767,312	4,140,944
USD	4,650,000	2,050,000
	2,117,312	2,090,944
Total	6,767,312	4,540,944
Less: Long-term borrowings due within one year (Note XVI7):		
Including: Mortgaged loans	3,867,312	3,290,944
Credit loans	–	400,000
	3,867,312	2,890,944
Long-term borrowings due over one year	2,900,000	1,250,000

For period ended 30 June 2018, the weighted average interest rate of long-term borrowings was 3.49% per annum (for period ended 30 June 2017: 4.46% per annum).

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Operating revenue and operating costs

(1) Presentation of operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	2,074,598	1,976,167	1,713,386	1,587,102
Other business	141	–	17	–
Total	2,074,739	1,976,167	1,713,403	1,587,102

(2) Breakdown of operating revenue

(a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Engineering contracting	1,485,992	1,405,296
Others	588,606	308,090
Total	2,074,598	1,713,386

(b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
China	588,606	308,090
Other countries/regions	1,485,992	1,405,296
Total	2,074,598	1,713,386

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Operating revenue and operating costs (Continued)

(3) *Information of major customers from which revenue generated accounted for more than 10% of the total revenue*

All amounts in RMB'000

Customer name	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party1	Third party	419,036	20.20
Party2	Third party	306,295	14.76
Party3	Subsidiary	252,521	12.17
Party4	Third party	249,387	12.02
Total	/	1,227,239	59.15

(4) As at 30 June 2018, the trading price allocated to non-implemented (or partly non-implemented) performance obligation was RMB12,208,648,000, including the estimated income to be recognized within one year of RMB2,998,718,000, and estimated income to be recognized after one year of RMB9,209,930,000.

(5) There was no need to adjust the revenue in the current period for the performance obligation implemented (or partly implemented) in the prior period.

10. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current period
Credit impairment losses on other receivables	8,043
Credit impairment losses on long-term receivables	(6,885)
Total	1,158

11. Investment Income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Investment incomes under cost method	—	500,000
(Losses) profits from long-term equity investments under equity method	(3,094)	800
Total	(3,094)	500,800

There is no major restriction of investment income repatriation to the Company.

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

12. 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 period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	(334,158)	357,912
Add: Impairment losses of credit	1,158	(23,370)
Depreciation of fixed assets	1,158	1,073
Amortization of intangible assets	1,092	1,145
Gains on disposal of fixed assets, intangible assets and other long-term assets	(2)	–
Losses on written-off of fixed assets	13	11
Financial expenses	349,555	226,770
Losses (gain) arising from investments	3,094	(500,800)
Increase in inventories	–	(171,185)
Decrease in contract assets	22,537	–
(Increase) decrease in receivables from operating activities	(3,361)	776,128
Decrease in payables from operating activities	(204,564)	(358,087)
Net cash flows from operating activities	(163,478)	309,597
2. Net changes in cash and cash equivalents:		
Cash on 30 June 2018	2,731,878	2,281,683
Less: Cash on 31 December 2017	4,648,065	7,692,102
Net decrease in cash and cash equivalents	(1,916,187)	(5,410,419)

(2) Cash and cash equivalents

All amounts in RMB'000

Items	30 June 2018	31 December 2017
I. Cash	2,731,878	4,648,065
Including: Cash on hand	1,717	350
Bank deposits without restriction	2,730,161	4,647,715
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	2,731,878	4,648,065

XVII.SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Item	Amount for the current period
Profit or loss on disposal of non-current assets	36,944
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.)	264,176
Gains arising from that the investment cost of acquiring subsidiaries, joint ventures and associates but less than the attributable share of fair value of identifiable net assets of investee	1,455
Other non-operating revenue or costs other than the above items	(295,777)
Fair value change from holding financial instruments at FVTPL and from disposal of financial instruments at FVTPL other than the effective hedging activities relating to normal operating business	17,321
Profit or loss on disposal of long-term equity investments	15,263
Impact on income tax	(78,197)
Impact on non-controlling interests	(25,767)
Total	(64,582)

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	3.75	0.12	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.85	0.12	Not applicable

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
	The original audit report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
	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: 30 August 2018



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