



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

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

2017
INTERIM REPORT



** For identification purpose only*

Important Notice

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that 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 32nd meeting of the second session of the Board convened on 29 August 2017.
- III. Deloitte Touche Tohmatsu CPA LLP issued a review report of standard unqualified opinion report to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and the General Accountant of the Company, and Fan Wanzhu, the Deputy General Accountant and the Financial Controller 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 purpose

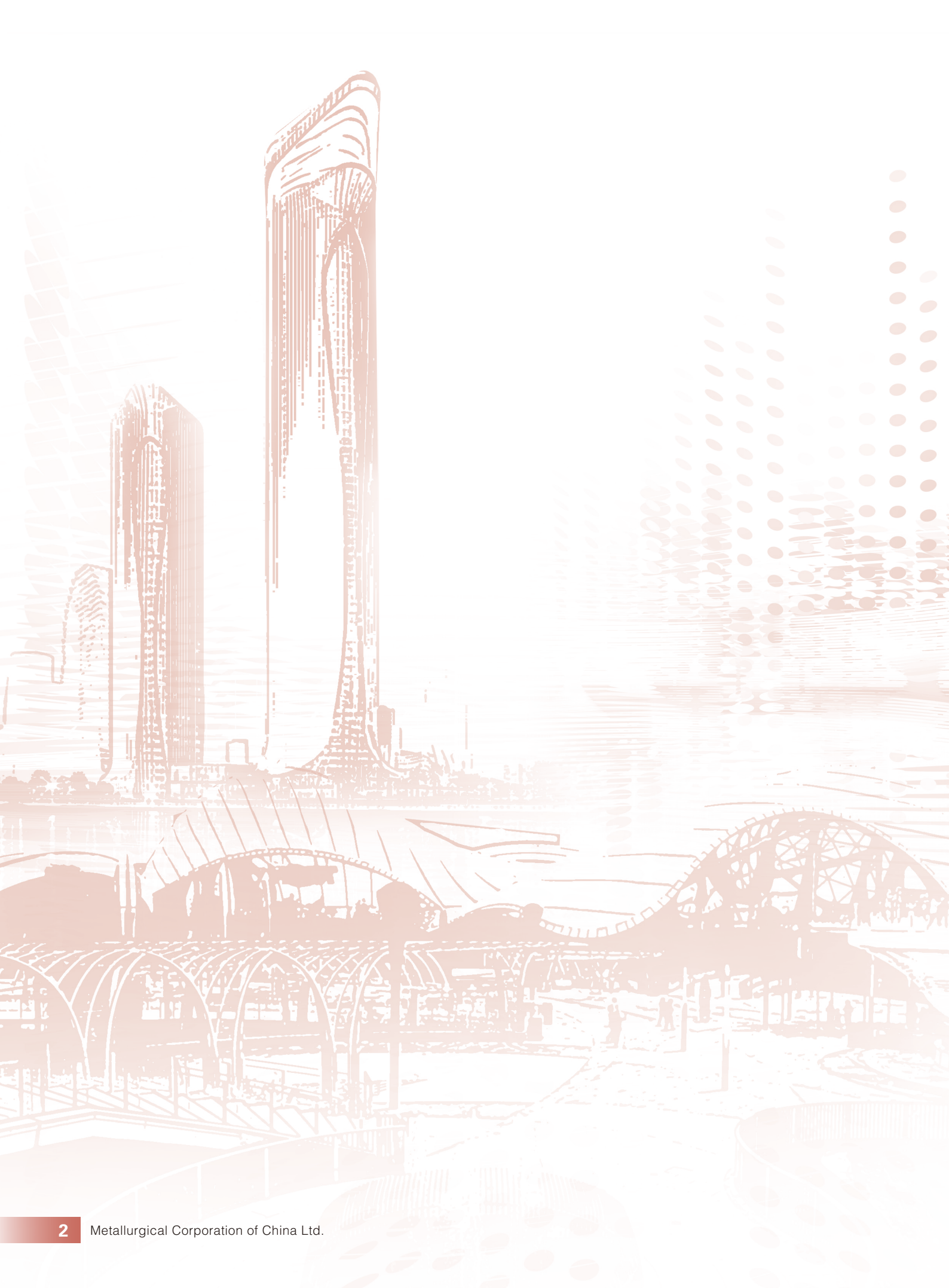
No
- VII. Is there any external guarantee made in violation of the required decision-making procedures

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, equipment manufacture and resource development businesses are affected by the policies of the industries in which the businesses were involved. In recent years, the future business focus and strategic layout of the Company have been guided, to a certain extent, by the PRC's industrial control over the iron and steel industry, the PRC's plan on adjusting and revitalizing the iron and steel and equipment manufacture industries, the PRC's industrial policies on resource development and the property market, as well as the periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, thereby affecting the Company's financial position and operating performance. The changes in policies of the industries in which the Company operates will have an impact on the overall demand in the relevant markets including the engineering contracting services, metallurgical equipment, resource development products and ordinary residences, etc., which will in turn affect the financial position of the Company.
- IX. Others

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



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Definitions

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

“Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“China” or “PRC”	the People’s Republic of China, excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SSE” or “Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shanghai Listing Rules” or “A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “MCC Group”	China Metallurgical Group Corporation
“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

Definitions

“Independent Director” or “Independent Non-executive Director”	a Director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the Supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2017 to 30 June 2017
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and 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 Hong Kong Listing Rules
“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“SGD”	Singapore dollars, the lawful currency of Singapore
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules

* For identification purposes only

Chairman's Statement



Chairman
Guo Wenqing

Chairman's Statement

Dear Shareholders,

Success is achieved through nothing other than determination, and business expansion is possible only through hard work and dedication. Looking back to the first half of the year, MCC insisted on adhering to the strategic positioning of "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies", seized the market, focused on innovation, strengthened management, accelerated upgrading, realized constant promotion in competitive advantages, and maintained a promising development momentum with steady improvement. During the Reporting Period, the number of newly signed contracts increased under the favorable situation and momentum, and the value of newly signed contracts amounted to RMB297.779 billion, representing a year-on-year increase of 21.92%; the realized operating revenue amounted to RMB101.085 billion, representing a year-on-year increase of 5.49%; whilst the realized total profit amounted to RMB3.974 billion, representing a year-on-year increase of 11.12%; and the net profit attributable to Shareholders of the Company amounted to RMB2.675 billion, representing a year-on-year increase of 10.71%, which laid a solid foundation for maintaining steady development and completion of the business objectives and tasks for the year in the second half of the year.

The Company made a breakthrough again in the traditional metallurgical industry with a year-on-year increase of 41% in the value of newly signed contracts. The implementation of a large number of domestic and overseas iron and steel metallurgy projects established the world-renowned "MCC benchmark". The operation of Ha Tinh Steel Project in Vietnam successfully achieved the overall industry chain output of greenland steel in international ten-million tonnage level from techniques, design, construction, equipment to project management. The Company undertook all main units in Hebei Zongheng Fengnan Iron and Steel project, the largest metallurgical engineering project under construction, further enhanced its market influence. The infrastructure construction business experienced steady growth, achieved new major breakthrough in rail transit and highway markets, highlighted its new competitive advantages in emerging industries, the technical standardization, standardization of products and marketization of products in market segments such as piping system and beautiful countryside rapidly achieved outcome, which strengthened the position of "forerunner" of MCC in the emerging industries. The sustained growth in performance benefitted from strong support from public investors and different sectors in the society and inevitably, the hard work and contribution of all staff. On behalf of the Board and the management of the Company, I hereby would like to express my sincere gratitude to public investors who have been giving support to the development of the Company, different sectors in the society which care about the growth of the Company and all staff who share pleasures and pains with the Company.

Those who penetrate the trend are intelligent and those who control the trend will be successful. In the second half of the year, encountering the economic situation with both steady growth and downward pressure as well as new situation, new features and new opportunities for industrial development, MCC will continue to deepen the supply-side structural reform, take advantage of the situation and the momentum, enhance the enterprise innovation ability, make up and reinforce the management ability, improve the ability to get market breakthrough, stimulate the vitality and combat effectiveness to create a core competitiveness of enterprise with "proficient specialization and strong industrial chain", and promote the core business to be proficient, perfect and prominent.

We will unswervingly promote the major traditional metallurgical industry to be advanced, optimized and re-created, serving for the transformation upgrading of the global iron and steel industry. The Company will seize the opportunities of growth in quality of global iron and steel industrial structure and adjustment to product structure, closely link to remarkable opportunities of international capacity cooperation brought by "the Belt and Road", take initiatives in response to the new momentum and make adjustments in response to continuous transformation, always adhere to creating the top 1 "national team" for iron and steel metallurgical construction and operating services in the world by making use of the leading core technology, continuous reform and innovation capability and irreplaceable integration advantages in the entire industrial chain of metallurgical industry, and undertake the national responsibilities to lead the metallurgical industry in the PRC to reach a higher standard and advance towards the world.

We will unswervingly promote the fundamental construction and create features with focused efforts, serving for the development of new-type urbanization. The Company will focus on Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, the middle reaches of the Yangtze River, agglomeration of cities in Chengdu and Chongqing and key countries under "the Belt and Road", aim at the new opportunities of highways, rail transit and other market segments, continue to deepen the design and operation of "macro environment, heavyweight clients and mega projects", adhere to the development concept of "retaining existing customers and gaining new customers", strengthen high-end marketing, high-value marketing and professional marketing, vigorously seize the high-end market of fundamental construction. We will also promote the design-type subsidiaries to enhance, refine, and optimize the high-end consultation, plan, design and supervision, forming a brand with absolute advantage, and carry forward the construction-type subsidiaries to speed up the enhancement of general construction contracting taking the project integrated management capacity as the center to achieve both large scale and high efficiency. The Company will achieve "resonance effect" on enterprise development and national development in the development of new-type urbanization and the big wave of "the Belt and Road" by "double upgrading" of integrated solutions service capabilities and specialized service capabilities.

We will unswervingly promote the emerging industries, speed up the development to take the leading position and expand the advantages, and serve for the beautiful China. Facing the majestic trend of emerging industries, we will pay a lot of effort to focus on development of "long-term business" which can generate a continuous cash flow, strive for outstanding results in overall businesses such as healthcare industry, piping system, sponge city, water environment, soil restoration, energy saving and environmental protection, enter "highway" from "ramp", thereby increasing its leading advantages. We will become an environmental comprehensive solution provider inseparable from customers by keeping track of technology research and development and productization from core technology, keeping track of technological innovation and business model innovation as well as providing vigorous "technologies + products + services".

Singing a song of glory, impassioned and indefatigable like a great river rolling on. Standing at a new starting point with ideal situation and the momentum, MCC will usher in broader development prospects. We believe that all MCC staff with down-to-earth and pragmatic spirit of "without wasting one day, without being lazy for one day" will be capable to develop a better future of "focusing on the core businesses in building a better MCC", and create new and greater value for the country, Shareholders, communities and staff.



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)	中国冶金科工股份有限公司
Abbreviation in Chinese	中国中冶
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

* For identification purposes only

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. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Name of media of A Share information disclosure designated by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publication of 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 Dacheng Law Office
	Office address	7/F, Building D, Parkview Green FangCaoDi, No. 9, Dongdaqiao Road, Chaoyang District, Beijing, PRC
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 current 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	101,085,487	95,824,655	5.49
Net profit attributable to shareholders of the listed Company	2,674,676	2,415,926	10.71
Net profit attributable to shareholders of the listed Company after deducting non-recurring profits and losses	2,508,428	1,789,074	40.21
Net cash flow generated from operating activities	-14,199,872	-2,849,369	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	76,421,499	70,553,075	8.32
Total assets	402,695,256	377,491,604	6.68

(II) Major financial indicators

Major financial indicators	For the current 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)	0.11	0.11	0
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)	0.11	0.08	37.50
Weighted average return on net assets (%)	3.80	4.22	Decreased by 0.42 percentage point
Weighted average return on net assets after deducting non-recurring profits and losses (%)	3.54	3.00	Increased by 0.54 percentage point

Company Profile and Major Financial Indicators

(III) Financial Highlights

1. Overview

The highlights of the Company's financial position as at 30 June 2017 and the operating results for the six months ended 30 June 2017 are as follows:

- Newly signed contracts were worth RMB297,779 million, representing a year-on-year increase of RMB53,539 million or 21.92% from RMB244,240 million in the first half of 2016.
- Operating revenue amounted to RMB101,085 million, representing a year-on-year increase of RMB5,260 million or 5.49% from RMB95,825 million in the first half of 2016.
- Operating profit amounted to RMB3,808 million, representing a year-on-year increase of RMB566 million or 17.46% from RMB3,242 million in the first half of 2016.
- Net profit amounted to RMB2,918 million, representing a year-on-year increase of RMB91 million or 3.21% from RMB2,827 million in the first half of 2016.
- Net profit attributable to shareholders of the listed company amounted to RMB2,675 million, representing a year-on-year increase of RMB259 million or 10.71% from RMB2,416 million in the first half of 2016.
- Basic earnings per share amounted to RMB0.11, which was the same as that in the first half of 2016.
- As at 30 June 2017, total assets amounted to RMB402,695 million, representing an increase of RMB25,203 million or 6.68% from RMB377,492 million as at 31 December 2016.
- As at 30 June 2017, total shareholders' equity amounted to RMB91,284 million, representing an increase of RMB8,176 million or 9.84% from RMB83,108 million as at 31 December 2016.

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

2. Operating revenue from principal business segments

(1) Engineering contracting business

Operating revenue amounted to RMB86,848 million, representing an increase of RMB5,182 million or 6.35% from RMB81,666 million in the first half of 2016.

(2) Property development business

Operating revenue amounted to RMB10,144 million, representing an increase of RMB449 million or 4.63% from RMB9,695 million in the first half of 2016.

(3) Equipment manufacture business

Operating revenue amounted to RMB2,530 million, representing a decrease of RMB527 million or 17.24% from RMB3,057 million in the first half of 2016.

(4) Resource development business

Operating revenue amounted to RMB2,507 million, representing an increase of RMB672 million or 36.60% from RMB1,835 million in the first half of 2016.

Company Profile and Major Financial Indicators

(5) *Other businesses*

Operating revenue amounted to RMB865 million, representing a decrease of RMB609 million or 41.33% from RMB1,474 million in the first half of 2016.

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

3. Summary of financial statements

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

(1) *Consolidated Income Statement (January – June of 2017)*

Unit: RMB'000

Item	Amount for the current period	Amount for the prior period
I. Total operating revenue	101,085,487	95,824,655
Including: Operating revenue	101,085,487	95,824,655
II. Total operating cost	97,299,341	92,901,625
Including: Operating costs	87,926,235	83,366,785
Taxes and levies	963,708	1,728,019
Selling expenses	839,359	734,570
Administrative expenses	4,612,053	4,361,156
Financial expenses	1,596,597	1,287,940
Impairment losses of assets	1,361,389	1,423,155
Add:		
Gains from changes in fair value	10,680	6,349
Investment income	11,298	312,688
Including: Gains (losses) from investments in associations and joint ventures	-70,135	256,191
III. Operating profit	3,808,124	3,242,067
Add: Non-operating income	252,252	387,938
Including: Gains from disposal of non- current assets	43,698	54,806
Less: Non-operating expenses	86,164	53,604
Including: Losses from disposal of non- current assets	7,687	10,680
IV. Total profit	3,974,212	3,576,401
Less: Income tax expenses	1,056,357	749,237

Company Profile and Major Financial Indicators

Item	Amount for the current period	Amount for the prior period
V. Net profit	2,917,855	2,827,164
Net profit attributable to shareholders of the Company	2,674,676	2,415,926
Profit or Loss attributable to non-controlling interests	243,179	411,238
VI. Other comprehensive income, net of income tax	63,413	-64,868
Other comprehensive income attributable to shareholders of the Company, net of income tax	81,146	-79,584
(I) Items that will not be reclassified subsequently to profit or loss	141,156	1,554
1. Re-measurement of defined benefit obligations	141,156	1,554
(II) Items that may be reclassified subsequently to profit or loss	-60,010	-81,138
1. Net (loss) gain on revaluation of available-for-sale financial assets	-7,010	-78,646
2. Exchange differences on translating foreign operations	-52,896	-2,492
3. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method	-104	-
Other comprehensive income attributable to non-controlling interests, net of income tax	-17,733	14,716
VII. Total comprehensive income	2,981,268	2,762,296
Total comprehensive income attributable to shareholders of the Company	2,755,822	2,336,342
Total comprehensive income attributable to non-controlling interests	225,446	425,954
VIII. Earnings per share		
(I) Basic earnings per share (RMB/Share)	0.11	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 2017

	30 June 2017	31 December 2016
Total assets	402,695,256	377,491,604
Total liabilities	311,411,681	294,383,901
Total equity	91,283,575	83,107,703

Explanation of major accounting data and financial indicators of the Company

Applicable Not Applicable

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	36,011	Note XVII
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval of incidental nature	0	–
Government grants recognized in current 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)	124,040	Note XVII
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	0	–
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	0	–
Profit/loss of non-monetary asset swap	0	–
Profit/loss from entrusted investment or asset management	0	–
Provision for impairment of assets due to force majeure i.e. natural disaster	0	–
Profit/loss from debt restructuring	0	–
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	0	–
Profit/loss from the excess of the fair value of a transaction of unfair consideration	0	–
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	0	–
Profit/loss from contingencies irrelevant to the normal operations of the Company	0	–
Change of fair value of financial instruments at FVTPL and profit or loss of disposal of financial instruments at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under the company's normal operating business	15,211	Note XVII
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	0	–
Profit/loss from external entrusted loans	0	–
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	0	–
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	0	–
Income of entrustment fees from entrusted operations	0	–
Other non-operating income or expenses other than the above items	6,037	Note XVII
Other profit or loss items that fall within the meaning of non-recurring profit and loss	63,379	Note XVII
Impact on non-controlling interests	-35,920	Note XVII
Impact on income tax	-42,510	Note XVII
Total	166,248	Note XVII

Company Profile and Major Financial Indicators

X. ITEMS MEASURED UNDER FAIR VALUE

Unit: RMB'000

Item	Balance at the beginning of the period	Balance at the end of the period	Changes during the current period	Impact on the profit of the current period
Financial assets at fair value through profit or loss	1,044	910	-134	9,826
Available-for-sale financial assets	1,531,494	1,933,904	402,410	9,621
Derivative financial liabilities	17,443	6,629	-10,814	5,386

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

(1) Domestic Market

In the first half of 2017, China has continued to achieve a stable performance while at the same time secured progress and good prospect in its economic development since last year. There have been more positive changes in the economy and a further increase in the favorable factors that support economy to grow at mid-high speed and to develop towards the mid-high level, which made it more obvious that the economy will tend to achieve a stable performance with good prospect. China continued to push forward the reforms on key areas and segments in great depth with a focus on supply-side structural reform, which resulted in a gradual increase of favorable conditions for the steady economic growth at mid-high speed. Hence, the industrial transformation and upgrade have achieved considerable progress, with some improvement in corporate profits and an increase in total import and export volume by 19.6% (among which, the total export volume demonstrated a year-on-year increase of 15%), which reversed the downward trend in the past two years. Meanwhile, the domestic economy was affected in certain aspects such as deleveraging and tightening regulation for the financial sector and adjustments in the real estate market, and there was certain pressure of adjustments in short term. According to the data of the National Bureau of Statistics, the economic growth rate for the first half of 2017 is 6.9%, which, although slows down, is maintained at a mid-high growth rate and continues to be at the forefront among the world's major economies. In the first half of 2017, the national investment in fixed assets (excluding farmers) amounted to RMB28,060.5 billion, representing an increase of 8.60%. The growth momentum has stabilized and rebounded.

In respect of the market of metallurgical engineering, in the first half of 2017, the investment in fixed assets for both the ferrous metal smelting and rolling processing industry and the nonferrous metal smelting and rolling processing industry represented a year-on-year decrease of 11.90% and 4.70% respectively, which indicates the end of the large scale and high intensity construction period of the domestic iron and steel industry. However, with the further advancement of supply-side structural reform, there has been a gradual increase of opportunities in relation to transformation and upgrading, energy saving and environmental protection and operation service in the metallurgical engineering field. To be specific, new opportunities have been provided by the layout adjustment of the iron and steel industry, of which the product structure and the flow structure are in need of reformation and upgrading, and the whole industry has relatively strong market demands for green development, intellectual development and top-level operation service. These opportunities provide a broad development platform for the Company in traditional core business.

In respect of the market of non-metallurgical engineering, as the State has strengthened the supply-side structural reform and effectively implemented national strategies and schemes including "the Belt and Road", the coordinated development of the Beijing, Tianjin, and Hebei Region (京津冀協同) and the construction of the Yangtze River Economic Belt, the construction of infrastructure and urbanization in China has further sped up. On 1 April 2017, the CPC Central Committee and the State Council decided to establish the Xiong'an New

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Area at the national level, which is a new area with national significance followed by the launch of the Shenzhen Special Economic Zone and the Shanghai Pudong New Area. In the future, the Xiong'an New Area will be developed primarily on such aspects as public rental housing, low-rent housing, eco-friendly buildings, transport and municipal infrastructure and environmental engineering, with a view to vigorously creating a new green and intelligent industry city which is innovation-driven and eco-friendly and livable, and with a focus on developing high-end and high-tech industries. The construction of the "Guangdong-Hong Kong-Macau" Great Bay Area, which is the significant pivot and core carrier of the Maritime Silk Road, has also been accelerated. The objective for the construction of the Great Bay Area is to become the world's important driving force of economic growth, the center for the innovation of international science and technology industry, the world-famous high-quality life circle and the most dynamic economic zone in the world, with a view to vigorously creating a world-class agglomeration of cities and "economic community". On 24 May 2017, Premier Li Keqiang presided over the executive meeting of the State Council, at which it was decided to implement a project for transformation of shanty towns from 2018 to 2020 to transform another 15 million shanty towns of any types. Meanwhile, there will be additional urban roads of 104,000 kilometers ("km"), urban rainwater pipeline of 112,400 km and large-scale rainwater pipeline corridor/box culvert of 9,900 km in China by 2020. In the next three years, there will be a total of 103 rail transit projects with planned mileage of newly-constructed urban rail transit reaching 2,385 km in the PRC, and the amount of investment will be up to RMB1.6 trillion. In particular, the investment of all of Chongqing, Shenzhen, Chengdu, Guiyang, Changsha and other cities in rail transit will be over RMB100 billion in the next few years. In addition, there will be an astonishing increase in the airport construction. It was proposed in the Layout Plan for General Airports (《通用機場佈局規劃》), prepared by the Civil Aviation Administration of China, that the total number of general airports will be over 2,000 by 2030. Plans for general airports have been proposed or even issued at the level of first-tier provinces and cities, including Zhejiang, Jiangsu, Fujian, Jiangxi and Chongqing. In addition to the existing airports, 1,600 general airports are expected to be constructed in the PRC in the next 15 years.

According to the data of the National Bureau of Statistics, the investment in infrastructure (excluding production and supply of electricity, heat, gas and water) amounted to RMB5,942.2 billion in the first half of 2017, representing a year-on-year increase of 21.1%. In particular, the investments in water resources management, public facilities management, road transportation and railway transportation industries grew by 17.5%, 25.4%, 23.2% and 1.9% respectively. In the first half of 2017, the areas of housing under construction by property development enterprises were 6,923.26 million square meters ("sq.m."), representing a year-on-year increase of 3.4%. In particular, the areas of new construction of housing were 613.99 million sq.m., representing a year-on-year increase of 14.9%.

(2) Overseas Market

In the first half of 2017, the recovery trend of global economy has continued, while demand for major economies has rebounded and market expectations have been improved. In respect of the overseas market of metallurgical engineering, the global demands for steel and iron increased by 0.2% in 2016 after shrinking by 3.0% in 2015, amounting to 1.501 billion tonnes. The World Steel Association predicted that the global demands for steel and iron in 2017 will increase by 0.5% to 1.510 billion tonnes.

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

Major countries along “the Belt and Road” route have a relatively small scale of steel and iron production with universally underdeveloped infrastructures, and therefore, forging ahead “the Belt and Road” strategy will inevitably promote the infrastructure construction of railway, highway and oil and gas pipelines, thereby bringing about new demands for steel and iron; under the guidance of “the Belt and Road” strategy, promoting the cooperation with countries and regions along “the Belt and Road” route in international production capacity and equipment manufacture to strive for the maximum market share is a superb strategic opportunity. Increasing the investment in other civil facility construction will also promote the development of the steel and iron industry of neighboring countries. According to the prediction by experts, “the Belt and Road” strategy will drive the steel and iron industry to rebound, returning to the interval of rational development in the next three years.

In respect of the overseas market of housing construction, transport and municipal infrastructure, countries along “the Belt and Road” route have distinct national conditions and uneven development levels. Influenced by various factors, the integrated development level of regional economy is relatively low in these countries, and the common phenomenon of inadequate infrastructure has increasingly become a major factor constraining economic and social development of these countries. Currently, countries along “the Belt and Road” route consider driving infrastructure development as a key focus on promoting regional economic cooperation and start to seek for extensive international support. There are huge demands for infrastructure construction in these countries, and their room for urbanization will be greater in the future.

Not only can the establishment of AIIB, Silk Road Fund, CAD Fund, China-Latin America Cooperation Fund and CAF accelerate the infrastructure construction in member countries, but it can also increase the fundamental investment demands of neighboring countries and countries along “the Belt and Road” route. The “Ten Major Cooperation Projects” of the PRC and Africa will provide a driving force and support to the process of industrialization, modernization and urbanization widely sought by African countries. Highly compatible developmental strategies and increasing common demands and interests between the PRC and African countries have brought new development opportunities for Sino-African cooperation. It is expected that the construction projects of airports, ports, highways, high-speed rails, residential buildings, wastewater treatment, industrial parks, new energy resources and cultural theme parks will commence in a large scale. We are of the view that a desirable prospect of international engineering contracting industry will be seen during the next 5 to 10 years, given that we are currently under a macro environment where many countries strive for development of infrastructure construction and international production capacity cooperation, and where Chinese enterprises accelerated foreign investments.

According to the estimates of Asian Development Bank, the annual investment demands for infrastructure in Asian countries will reach USD730 billion (equivalent to RMB4,500 billion) by 2020, and Orient Securities predicts that the investment demands for infrastructure in Asia-Pacific region within the next 10 years will be up to USD8,000 billion and the room for potential development will be tremendous.

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2. The Operating Results of the Business

As a national innovative enterprise with a strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”, the Company has actively carried out transformation and upgrade based on excellent scientific research, investigation, design and building capacity, thus making outstanding achievements in the engineering contracting segment. During the Reporting Period, the new construction contracts of the Company amounted to RMB274.584 billion, representing a year-on-year increase of 22.1%, further creating a record high. In particular, newly signed metallurgical engineering contracts amounted to RMB40.738 billion and newly signed non-metallurgical engineering contracts amounted to RMB233.846 billion. Non-metallurgical engineering contracts accounted for 85.16% of the new contracts for the Reporting Period, and non-metallurgical engineering projects contributed to 75.64% of operating revenue of the engineering sector. The project reserve and sustainability of the Company showed a steady increase.

The overall operating results of the engineering contracting business in the first half of 2017

Unit: RMB'000

	The first half of 2017	% of the total	The first half of 2016	Year-on-year growth
Segment operating revenue	86,848,396	84.41%	81,666,232	6.35%
Gross margin (%)	10.95	–	10.61	Increased by 0.34 percentage point

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

(1) Consolidation of the dominant position in the domestic metallurgical engineering market

Being a pioneer and founder of the iron and steel industry in China, the Company adheres to its position of the “national team for metallurgical construction” to propel the implementation of the top-level design plan and strategies by a national team of advisers. The Company pushed forward the integration of internal resources and professional echelon division. It is committed to creating a competent and the strongest lineup of national team for metallurgical construction, continuously increasing the competitiveness and influence of the Company in the international iron and steel engineering technology sector. Being acute to the recovery of the iron and steel market, the Company has established its core technology and control ability in the 8 major units and 19 business units in the traditional metallurgical process with its focus on capacity replacement, relocation projects for urban steel plants and metallurgical energy saving and environmental protection technology transformation market, thus largely contracted all the large-scale projects of environmental protection related relocation, energy saving and emission reduction and industrial upgrading, and firmly consolidated its position of the “national team for metallurgical construction”.

During the Reporting Period, the Company continued to leverage on its core technology advantage and integration advantage in the entire industrial chain of steel, iron and metallurgical industry to closely monitor project information and achieved remarkable results. The Fengnan Iron and Steel Project of Hebei Zongheng Group Co., Ltd., which is the biggest domestic metallurgical engineering project under construction, has commenced since the first quarter of this year, and almost all construction of the major units of the project was undertaken by the Company. Our position as the “national team for metallurgical construction” was further consolidated.

(2) *Keeping of the competitive edges in the domestic non-metallurgical engineering market*

The Company bears in mind that “markets are the foundation and the ground for enterprise development and are of the first priority for an enterprise to survive, develop, transform and upgrade”. In line with the national strategy, the Company integrated its advantages and resources and by using developed and dynamic regions including “the Belt and Road” region, 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 and as a “major force of infrastructure construction” in China, the Company fully utilized the enormous composite force of “three forces in one” comprising the Group, the subsidiaries and the regional branches, further strengthened the design and operation of “macro environment, heavyweight clients and mega projects”, optimized the market layout, strengthened its ability to contract “high-tech, new, multi-functional and large-scale” projects, stepped up its efforts on market development in non-metallurgical sectors such as municipal infrastructure, premium property construction, regional development, highways, rail transit and civil airports, and achieved remarkable results as the main force for fundamental construction of the nation. The Company has made great efforts in “emerging industries” to increase its competitiveness in the emerging markets through resources integration, technology advancements and change in marketing thinking. It has made major breakthroughs in emerging industries such as urban integrated subterranean pipeline corridor, special engineering, sponge city, beautiful countryside and smart city, health care, and water environment management, marking its industry-leading position as the “forerunner of the emerging industries”. It has established its new competitive edges and completed a batch of major projects with significant influence in the industry. During the Reporting Period, 113 non-metallurgical major engineering projects had a new contract amount exceeding RMB500 million.

Currently, PPP model has become the major business model adopted by the government for investment in large-scale infrastructure projects and emerging industry projects. On 26 April 2017, five ministries including the Ministry of Finance of the PRC issued the Notice Regarding Further Standardization of Behaviours of Borrowing and Financing by Local Governments (《關於進一步規範地方政府舉債融資行為的通知》); on 3 June 2017, the Ministry of Finance of the PRC issued the Notice on Suppressing Breach of Laws and Regulations in Financing Activities in the Name of Purchasing Services by Local Governments (《關於堅決制止地方政府以政府購買服務名義違法違規融資的通知》), regulating the operation of PPP projects by the government. The Company proactively expanded the market under the premise that it strictly controlled project risks. In the first half of 2017, MCC won the bids for 56 new PPP projects, representing a year-on-year increase of 11 projects, and the total investment amount was RMB110 billion, which generally remained flat as compared with the first half of 2016. In terms of industry distribution, the PPP projects mainly included road, industry park and its infrastructure construction, integrated pipeline corridor, shanty town transformation and public housing, public construction and ecological construction projects.

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① Maintaining an advanced level in the fundamental construction field

In the transport and municipal infrastructure field, the Company is able to provide full industrial chain services such as survey, design, construction, supervision, investment and financing, and operation, which together offers strong capabilities for providing transportation investment and construction operation services, and the Company successfully undertook a series of landmark transportation and municipal construction. Meanwhile, the Company strengthened its efforts in the marketing of key industries such as railroad transportation and airport, and integrated the resources of the Group to establish MCC Rail Transit Co., Ltd. in 2017, which provides a solid foundation for the further expansion of the transportation and municipal market. During the Reporting Period, the Company successfully entered into the contract for Guiyang City Rail Transit Line 2 (Phase II) (PPP Project)(貴陽市軌道交通2號線二期工程) with a total investment of RMB7.9 billion in the construction and a length of 13 km, marking the entry of MCC into the field of investment and construction of railroad transportation and further expanding the influence of the Company in the transport and municipal infrastructure field.

In the building construction and premium property construction field, as of the end of the Reporting Period, the Company obtained 13 premium class qualifications for property construction. Leveraging the technological innovation in respect of ultra-high-rise buildings, large public venues and municipal large public facilities, and its extensive experience in project management, and through accelerating the enhancement of professional construction capability and market competitiveness and proactively seizing premium projects while expanding high-end markets, the Company strived to create brand value for premium property construction and has successfully undertaken a batch of typical projects with significant influence, which grasped the attention of the market. During the Reporting Period, the Company has entered into contracts for numerous major projects such as the EPC Contract for Integrated Design, Procurement and Construction of The Fifth Xiangya Hospital (湘雅五醫院設計採購施工一體化總承包合同) in Hunan with gross floor area of approximately 340,000 sq.m. and 1,500 beds and Chongqing Centre Phase I with a height of 208 meters (“m”), which brought a rapid and healthy development to the Company's premium property construction business.

② Strengthening of the leading edge in the 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, relying on the research strength of the MCC Technology Research Institute of Pipeline Corridor, seized the critical strategic opportunities brought by the PRC's promotion of the construction for integrated subterranean pipeline corridor and continuously explored new models for urban integrated pipeline corridor. The Company has become the bearer of national mission, a marketing leader and an explorer of scientific research and development. It puts utmost efforts to build “MCC pipeline corridor” brand with broad influence and powerful control. The Company provides at any time consultation, planning, survey, design, construction, supervision and operating services, with incomparable professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. In May 2017, the Company successfully held the 2017 Promotion Conference for Application of New Technology in Chinese Urban Integrated Steel Pipeline Corridor in Hengshui, Hebei and released the assembled corrugated steel pipeline corridor, a new product first invented in the PRC, which has greatly enriched the application of new materials in the integrated pipeline corridor, resolved the problem of overcapacity of steel and increased the application of steel structure products in construction and the standard of urban construction. During the Reporting Period, the Company won the new bids for various integrated pipeline corridor projects with great social influence in, among others, Zhengzhou, Kunming and Xiaogan. The Company remained at the leading position in the domestic pipeline corridor market.

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In the special engineering field, the Company is currently the only enterprise qualified for theme park design and construction in China and an expert in the field of special engineering, which has established strategic partnerships with DreamWorks, LEGO and 20th Century Fox. The Company establishes solid innovative thinking, digs into the culture deeply and keeps strengthening the capability of independent innovation to turn its technical characteristics to represent theme parks and movie parks and its high value-added cultural industry construction into its advantages in special themed engineering development and enjoys a high reputation in the industry. At present, the Company has completed the construction for a number of themed projects, such as Universal Studios Singapore Sentosa, Guangdong Zhuhai Chimelong Ocean World (廣東珠海長隆海洋世界) as well as the Adventure and Tomorrow Land Project of Shanghai Disney Resort (上海迪士尼度假區探險島和明日世界項目). During the Reporting Period, the Company contracted major construction works such as Water Park on Ocean Flower Island in Hainan, which further established the leading position of the Company in the special engineering construction industry.

In the sponge city field, the Company has the construction and services capabilities for the entire industry chain of sponge city construction industry to provide thorough and comprehensive services to clients to fulfil the demand for integrated, systematic and intensive sponge city constructions. Relying on the technological advantages of the MCC Technology Research Institute of Sponge City, the Company concentrates on breaking through the common areas and key technologies in order to prepare a scientific development plan for sponge city and is dedicated to the project development and construction in the sponge city sector. During the Reporting Period, the Company won the bids for the EPC Contract for Black and Odorous Water Treatment and Sponge Project for Downstream Yuxi River in Yunnan Province (PPP Project)(雲南省玉溪大河下游黑臭水體治理及海綿工程EPC總承包合同(PPP項目)), and Two Lakes One River in Pilot Sponge Cities in Gui'an New District (PPP Project)(貴安新區海綿城市試點兩湖一河PPP項目). Among the above projects, the total investment of the Black and Odorous Water Treatment and Sponge Project for Downstream Yuxi River amounted to RMB3 billion, which was a key construction for the prevention of water pollution in Yuxi City, was extremely meaningful to the environment of Yuxi City and its surrounding areas, and aroused wide awareness within the industry.

In the beautiful countryside and smart city field, the Company has actively implemented the State's development concept of "ecological civilization to build a beautiful China" to combine the constructions of beautiful countryside and smart city, and seized the preemptive market opportunities by leveraging on the capabilities of the MCC Technology Research Institute of Beautiful Countryside and Smart City on technological research and development. During the Reporting Period, the Company contracted new EPC Contracting Projects for Construction of the Cloud Data Centre in Zhongwei, Ningxia and Construction of Beautiful Town (Village) in Yuhui District, Bengbu (Phase I), the Construction Project for Featured Town in Jiangshui, Xingtai County, the Project of Tianshan Tianchi Culture and Innovation Park, the Construction Project of Beautiful Countryside in Beidaihe New District and EPC projects. It has made new contribution to the harmonious development of human and nature and the advancement in the construction of the "beautiful China" and achieved good social and economic benefits.

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In the healthcare field, the Company strengthened the design of top levels and established comprehensive policies and security systems in response to the development trend of the industry and the rigorous demand in the market. Led by the national strategy of “healthy China”, driven by technological innovation and via standardized healthcare industry service with high quality, the Company has become the leader of the healthcare industry with advanced technology and high-end products in the high-end market. The Company fully relied on the technology of Healthcare Industry Technology Research Institute of MCC and devoted itself to the development of full industrial chain of the healthcare industry, including, among others, technological research and project consultation, planning, investment, design, construction and operation, with professional and full-range perspectives, with an aim to provide customers with all-round and comprehensive services of “healthcare, rehabilitation, pension, health-consciousness, fitness, travel and culture”. During the Reporting Period, the Company contracted a batch of new major projects, such as the Project of Xingfuyuan International Healthcare Base in Dandong City, striving to boost the brand influence of “Healthcare +”.

In the water environment management field, by keeping up with national policies and combining with market demand, the Company continued to increase investment in, research and development on and application of water environment technology, while fully relying on the research strength of the MCC Technology Research Institute of Water Environment. With focuses on upgrading and reformation of urban sewage, industrial wastewater (coking, cold rolling and dyeing) treatment, ecological restoration of black and odorous water, research and development of biological agents, development of environment-friendly water treatment agents and development and application of energy-saving and environmental protection equipment, and by combining with urban development, the Company conducted comprehensive planning and implementation on water supply and draining, wastewater treatment, collection and utilization of rainwater and river water environment management, vigorously created a brand with Chinese characteristics for water treatment of “low cost, high standard, high technology and high quality” (“one low and three highs”), and thus becoming the leader in the domestic and overseas water industry. During the Reporting Period, the Company contracted new major environmental protection projects such as Comprehensive Improvement Project on Flood Control and Environment of the River and Beach Area in Wuqing Dyke (Tieji Road-Wufeng Floodgate) (Wuchang Section), Shenzhen Buji River Basin Comprehensive Treatment Construction Contract (深圳布吉河流域綜合治理工程合同) and EPC Project of Construction of Comprehensive River Environmental Improvement in Desheng of Hanshan County. Among the above projects, Shenzhen Buji River Basin Comprehensive Treatment Construction is the first project that adopted “EPC+O” water control model in Shenzhen, which is important to the improvement in the quality of water environment of the coastal areas in Shenzhen and the enhancement of the quality of urban environment. The Company further enhanced its brand influence in the environmental engineering and alternative energy field.

These major non-metallurgical projects have driven the rapid development of the Company in the infrastructure and emerging industry sectors, optimized the Company’s product line-up, enhanced the brand influence and the ability to resist market risks, and further consolidated the industry position of the Company as the “main force for fundamental construction and the forerunner of the emerging industries”.

(3) Multiple Breakthroughs in Overseas Construction Market

① Overseas layout

Currently, the projects of the Company involve 24 countries along "the Belt and Road" route, which focus on the layout and development of 17 countries with undeveloped facilities but favorable market demand and promising future in the iron and steel industry and international production cooperation, including Pakistan, India, Mongolia, Russia, Kazakhstan, Vietnam, Myanmar, Cambodia, Indonesia, Malaysia, Singapore, Sri Lanka, Kuwait, Saudi Arabia, UAE, Iran and Turkey.

In general, the overseas markets of the Company are highly concentrated in developing countries like Southeast Asia, South Asia, Central Asia, etc., with lesser market share in developed areas in Europe and the U.S.

As of the end of the Reporting Period, the Company operated a total of 149 overseas institutions across 53 countries and regions worldwide.

② Development of overseas market

During the Reporting Period, newly-signed overseas engineering contracts of the Company amounted to RMB22.102 billion, accounting for an increase of 25.81% compared to the amount of RMB17.568 billion for the corresponding period of last year. Among the newly signed overseas engineering contracts, contracts for metallurgy projects accounted for 12.46% and contracts for non-metallurgy projects accounted for 87.54%.

During the Reporting Period, the Company signed the following featured overseas projects:

- 1) There were major overseas projects signed with a value of USD200 million or above, including the Kuwait Healthcare Hospital Project (科威特醫保醫院項目) with a contractual amount of USD530 million; the Residential Construction of Emerald City Project (Phase I) in Papua New Guinea (巴布亞新幾內亞翡翠城項目(一期)住宅工程) with a contractual amount of USD350 million; the ACG Our City Project in Vietnam with a contractual amount of USD230 million.
- 2) The Hoa Phat Steel Plant Project in Vietnam was another project of an integrated steel plant followed by Ha Tinh Steel Plant in Vietnam and Kuantan Steel Plant in Malaysia. The Company successfully obtained the steel refining, sintering and power generation tender among the intense competition with numerous international and domestic bidders, demonstrating its comprehensive strength as the national team for metallurgical construction.
- 3) The Company won the bid for a highway project in South America for the first time, namely a highway project of Bolivian Highway Authority, with a length of 208 km and for a contractual amount of USD200 million, making a good start for the Company to expand the infrastructure market in South America in the future.
- 4) The Company won the bid for an overseas waste incineration power generation general contracting project for the first time, namely a project of waste incineration power generation in Lahore City, Punjab, Pakistan. The project was designed to handle 2,000 tonnes household waste per day with an installed capacity of power generation of 40MW. The investment of the project was expected to be approximately USD200 million.

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- 5) The Company won the bid for an overseas iron and steel supervisory project for the first time, namely the iron and steel supervisory project in Bolivia, with a contractual amount of USD22.50 million, demonstrating its high-end capacity as the national team for metallurgical construction.
- 6) The Company won the bid for an overseas project of skyscrapers with over 300 m for the first time, namely the General Contracting Project of a Business Complex consisting of 8 CONLAY Kempinski Hotel and Serviced Apartments in Kuala Lumpur, Malaysia that was developed by KSK Group of Malaysia. The Project was located in Bukit Bintang Avenue, Kuala Lumpur City Centre, close to Pavilion Kuala Lumpur, and was in the core area of Petronas Twin Towers, and the area of the project was 4 acres. The construction included a 61-storey block of service apartments with 277 m high, a 56-storey block of service apartments with 260 m high and a 72-storey 5-star hotel and condominium with 308 m high and a 4-storey shopping mall, with a total gross floor area of 310,000 sq.m., and the construction period of the contract was 48 months. Upon completion of the project, it would break a new record of building height for the Company to undertake overseas building projects in the form of the general construction contracting, and the project would become a new landmark of Malaysia.

③ Overseas projects

During the Reporting Period, there were a total of 393 overseas projects of the Company under construction, and the contractual amount was USD18.880 billion. Among the 393 overseas projects under construction, there were a total of 40 overseas major engineering projects (with a contractual amount of more than USD100 million), and the contractual amount was USD13.829 billion, accounting for 73.25% of the contractual amount of the projects under construction.

On 29 May 2017, No.1 blast furnace at Formosa Ha Tinh Steel Plant in Vietnam was successfully ignited, marking the successful operation of the first overseas super-large blast furnace project undertaken by the Company as a general contractor. The successful operation of the project laid a solid foundation for the Company to undertake overseas large-scale green field iron and steel projects.

(II) Property Development Business

1. Industry Overview

In recent years, there have been changes in the domestic economic condition. The economic development entered a new normal era with steady growth. Meanwhile, the property industry encountered new problems of decreasing growth rate and growing inventory, entering a new stage of adjustment and development. However, under the background of economic transformation, the property industry will still play a key role in bolstering investment and facilitating the financial income and value-added service locally.

In the first half of the year, the cumulative sales area of commercial housing in China demonstrated a year-on-year increase of 16.1%, while the growth rate decreased by 6.4 percentage points and 11.8 percentage points as compared to that of the previous year and of the corresponding period of the previous year, respectively; the cumulative sales amount of commercial housing demonstrated a year-on-year increase of 21.5%, while the growth rate decreased by 13.3 percentage points as compared to that of the previous year and was almost halved as compared to that of the corresponding period of the previous year.

Since the Central Government specified that “houses are for people to live in, but not for speculation”, and aimed to control the property bubble and be cautious of the financial risks, the regulations on the real estate market nationwide have been escalating. In the first half of the year, a total of 50 cities nationwide successively implemented the regulatory policy that centered on restricting purchase and loans. However, the sales performance in the real estate market was not negative, and was even better than the expectations at the beginning of the year.

Currently, the pressure of inventory in the property market is relatively high, while the inventory condition is relatively complicated. Not only does there exist the problem of overcapacity in terms of scale and total volume throughout the country, but there also exists the problem of structural imbalance in cities of different levels. Meanwhile, the inventories between various property products (residential, commercial, industrial) have relatively large difference.

In respect of cities at all levels, differentiation is apparent in the PRC property market, with relatively large difference of inventories among different types of cities. First-tier cities and key second-tier cities do not experience high pressure in inventory. The consumption cycle for residential inventory of available-for-sale commodities is generally within 12 months, which is at a reasonable range. The supply in most of the third-tier and fourth-tier cities significantly outstrips what used to be in the past but with the subsequent fatigue problem in consumption, resulting in a high volume of inventory. The consumption cycle for inventory of available-for-sale commodities is generally more than 20 months.

Among third-tier and fourth-tier cities, approximately 80% of them are under an inventory consumption pressure. Inventories in a few cities remain at a reasonable range. Taking Zhenjiang as an example, the current salable area is 3.40 million sq.m., with the consumption cycle for residential inventory of available-for-sale commodities up to 24 months. In relation to land consumption period, the average consumption period of lands for third-tier and fourth-tier cities is 5 years. In particular, the consumption period of Weifang, Ordos and Dongying is more than 6 years.

In view of the above, the third-tier and fourth-tier cities are the “hardest hit areas” with high inventory of properties in China. Most of them suffer from the problem of high volume of inventory. With regard to those cities, destocking will be an important task for the development of the property industry in the coming years.

2. The Operating Results of the Business

The property development business, as one of the primary businesses of MCC, generally has stable income and profits in recent years. The Company does not seek to expand the business scale blindly. Instead, it pursues the improvement in product quality and brand building. As of the end of June 2017, MCC operated a total of 22 secondary subsidiaries engaging in the property development business with business type switching from multi-drivers of commercial housing, affordable housing and primary land development to commercial housing as the core business.

Quality of products was constantly enhanced with gradual improvement on brand impact. As the leader and flagship of the property industry business, MCC Real Estate Group Co., Ltd. (“MCC Real Estate”) has kept track of steady development.

During the Reporting Period, the amount invested in property development of the Company was RMB8.297 billion, representing a year-on-year increase of 25.23%, with construction area of 9.7662 million sq.m., representing a year-on-year decrease of 1.68%; among which, new construction area accounted for 0.8572 million sq.m., representing a year-on-year decrease of 4.31%; completed area accounted for 0.5258 million sq.m., representing a year-on-year decrease of 62.65%; contract sales area accounted for 0.7349 million sq.m. with contract sales amount of RMB10.218 billion.

Report of Directors

The overall operating results of the property development business in the first half of 2017

Unit: RMB'000

	First half of 2017	% of the total	First half of 2016	Year-on-year growth
Segment operating revenue	10,144,056	9.86%	9,695,383	4.63%
Gross margin (%)	24.53	-	33.93	Decreased by 9.40 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) On 19 September 2010, Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. (the "Project Company"), which is owned by MCC Real Estate, won the bid of the land use right of Land Nos.1 and 3 at the west of Jiangbian Road, Binjiang, Xiaguan District of Nanjing at a public auction. The consideration of land transfers were RMB12.141 billion and RMB7.893 billion respectively, with the total amount of RMB20.034 billion (for details, please refer to the announcement of the Company dated 20 September 2010).

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

- (2) On 17 July 2012, the consortium of MCC Real Estate won the bid of and obtained the land use right of plot A1 under Phase II of the green belt construction and old village reconstruction project at Jiugong Town, Daxing District, Beijing (北京市大興區舊宮鎮綠隔地區建設舊村改造二期A1地塊) at a public auction for a consideration of RMB2.2 billion in cash, together with an obligation to construct public rental housing of 4,700 sq.m. (for details, please refer to the announcement of the Company dated 18 July 2012). Between the first opening of the project on 18 October 2014 and June 2017, all projects have started selling, with cumulative contract sales area of 99,000 sq.m., and the returns in sales were good.
- (3) On 28 May 2014, MCC Real Estate won a bid for the land use right of a land plot located in Qili of New Badali, Heiniucheng Road in Tianjin at a consideration of RMB4.949 billion (for details, please refer to the announcement of the Company dated 28 May 2014). Currently, the construction and ancillary procedures of the project are being promoted, of which the inspection and acceptance of Qixian Beili (7-09) was completed and completion certificates were obtained on 29 June 2017. The application for the ancillary procedures of Qixian Nanli is in progress, and the main part of land B (7-11) is under construction. The application for the sales permit of building Nos. 1-4 has been completed and land C (7-13) is under renovation and construction. Land D (7-14) is under renovation and construction. The project was opened on 4 July 2015. As of June 2017, all projects had been launched for sale, with cumulative contract sales area of 157,500 sq.m. The returns in sales were good.

- (4) On 19 July 2013, MCC Real Estate Singapore Ltd. won the bid for the land development right with a term of 99 years of a land parcel at Tampines Avenue 10 (Parcel B) in Singapore (新加坡淡濱尼十道B地段地塊) at a public auction at a consideration of SGD289.7 million (equivalent to approximately RMB1.402 billion) for residential development (for details, please refer to the announcement of the Company dated 1 August 2013). "Tampines Avenue 10 (Parcel B) Apartment Development and Construction Project (淡濱尼十道B地段公寓開發建設項目) is located at Tampines Avenue 10 in eastern Singapore, which is adjacent to Bedok Reservoir Park in Singapore (新加坡勿洛儲水池公園). The project has an area of 17,103 sq.m. with a maximum gross floor area of 52,676 sq.m. The project commenced construction in January 2014, by the end of June 2017, the aggregated completed sales area amounted to 18,894 sq.m.
- (5) On 20 August 2014, MCC Real Estate Singapore Ltd. won the bid for a land parcel for the construction of private apartments in Potong Pasir in Singapore at a public auction at a consideration of SGD471.6 million (equivalent to approximately RMB2.358 billion) (for details, please refer to the announcement of the Company dated 21 August 2014). The project is located at Potong Pasir in central Singapore, which is within 5 km far from the city centre, with an area of 16,149 sq.m. and planned gross floor area of 62,175 sq.m. It is a comprehensive project for both residential and commercial purposes and the first project of MCC Real Estate Singapore Ltd. in the high-end real estate business. 75% of the units of the project (Phase I) were sold out on the first date of launch on 28 November 2015 and the residential units were all sold out as of the date hereof. The project has maintained a satisfactory sales return after the launch of Phase II on 12 March 2017. By the end of June 2017, the aggregate completed sales area of the project amounted to 46,688 sq.m.
- (6) On 4 May 2015, MCC Real Estate Singapore Ltd. won the bid for a land parcel at Tampines Avenue 10 (Parcel D) in Singapore (新加坡淡濱尼十道D地段地塊) at a public auction at a consideration of SGD227.78 million (equivalent to approximately RMB1.041 billion). The project is erected on a land parcel owned by the Singapore government, for the construction of residential apartments, in eastern Singapore, which is adjacent to Bedok Reservoir (勿洛蓄水池) with an area of approximately 15,660 sq.m., plot ratio of 2.8, gross floor area of approximately 43,850 sq.m. and building height restriction of 64 m. The project consists of 626 units in 9 buildings, which is expected to be occupied from June 2020. The project was launched on 2 October 2016 and there were 274 units contracted on site on the same date, accounting for 43.77% to the total number of units for sale. By the end of June 2017, the aggregate completed sales area of the project amounted to 31,632 sq.m.

(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" strategy, 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.

Report of Directors

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 "Circular 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 2017

Unit: RMB'000

	First half of 2017	% of the total	First half of 2016	Year-on-year growth
Segment operating revenue	2,530,369	2.46%	3,057,360	-17.24%
Gross margin (%)	11.08	-	13.10	Decreased by 2.02 percentage points

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

Being affected by the over-capacity in the domestic iron and steel industry and the continuous decrease in demand in the metallurgical equipment market, the demand for metallurgical products decreased and there was extremely fierce competition in the market. Meanwhile, the intensified competition in the industry led to the further decrease in the price of products, and the drop in the productivity and sales volume of metallurgical equipment integration and spare parts had resulted in the decrease in the total operating revenue of the equipment manufacture segment of the Company. Since then, the Company has been gradually divesting from underperforming low-tech businesses with uncertain prospect and low profitability for its equipment manufacture segment and speeding up its process in the reorganization of the existing equipment manufacture drivers, providing support to the core technology of relevant businesses which would likely have a more favorable prospect.

Regarding steel structure business, the Company will further reinforce control measures, continue to better allocate its steel structure business and assets and make all efforts in developing its capacity advantage of steel structure manufacturing. For business cooperation, the Company will insist on the adoption of the model of "dual drivers of manufacturing and R&D" for the establishment of the "core R&D platform" and "core design platform" of the steel structure business of the Company with a target to develop cutting-edged technology for high-end steel structure business and take the first move on every opportunity arising in the high-end markets. Regarding business layout, the Company has been making breakthroughs in regional integration by kicking off pilot integration programs for regional resources of steel structures in developed regions and has been reinforcing its strengths within the integrated industry chain covering research and development, design, manufacturing, installation, testing and maintenance of the steel structures of the Company.

(IV) Resource Development Business

1. Industry Overview

The market information of primary metal products involved in the resource development business of the Company in the first half of 2017 is as follows:

In 2016, the prices of basic nonferrous metals rebounded after hitting bottom. In the first half of 2017, the prices of copper, nickel, lead and zinc fell after an initial rise, and further demonstrated a notable rebound after the United States Federal Reserve announced on 14 June 2017 to raise interest rates for the second time in this year. As of 30 June 2017, the price changes of copper, nickel, lead and zinc on LME were 6.91%, -8.13%, 14.25% and 8.3% respectively, as compared to those for the beginning of the year. However, the overall price level for the first half of this year was still higher than the corresponding period of last year.

Price changes of certain metals on LME in the first half of 2017

No.	Basic metals	Price at the beginning of the year (USD/tonne)	Price as of 30 June (USD/tonne)	Highest/Lowest price during the year (USD/tonne)	Fluctuation	Maximum fluctuation
1	Copper	5,574	5,959	6,145/5,466	6.91%	10%/-2%
2	Nickel	10,205	9,375	11,045/8,935	-8.13%	8%/-12%
3	Lead	2,007	2,293	2,442/2,007	14.25%	22%/0%
4	Zinc	2,553	2,765	2,971/2,462	8.30%	16%/-4%

The price of nickel experienced a relatively significant decline in the first half of 2017, which was mainly due to several factors: firstly, the expected resumption of the exploitation of nickel in Philippines; secondly, the resumed exports of laterite nickel ore in Indonesia and the successive commencement of nickel iron projects invested by China-affiliated enterprises in Indonesia, which resulted in the substantial growth of supply of nickel iron; thirdly, successive satisfactory results achieved by nickel manufacturers, such as the Goro Project in New Caledonia operated by Vale and Koniambo Ferronickel Processing Plant of Glencore both achieved record high since operation, and the Ramu Project Papua New Guinea of the Company also reached and exceeded the production target.

The soaring price of cobalt in the first half of 2017 made it outstanding among all metal resources. The main factors for the rising price of cobalt include: firstly, the production volume of cobalt was substantially derived from the Democratic Republic of Congo, of which the volatile political mood aroused great concerns among investors; secondly, given the production and sales volume of new energy vehicles worldwide, the upstream demand of ternary battery for cobalt will increase; thirdly, with rising demand, but a slowdown in supply, the production volume of cobalt-based mines only accounted for 2% of global production volume of cobalt, which indicated a limited supply.

The price of copper remained high and volatile in the first half of 2017, and the price showed an upward trend in general. Several top copper manufacturers worldwide faced strike waves successively, which have exerted significant impact on global copper supply. According to the latest forecast published by The International Copper Study Group (ICSG) in April, the supply of global refined copper reached 23.75 million tonnes, whereas the demand for refined copper amounted to 23.90 million tonnes, and the shortage in global market was 147,000 tonnes in 2017.

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After experiencing the drastic increase throughout the year of 2016, the market price of lead-zinc in the first half of 2017 first increased, then decreased and remained high and volatile. With the recovery of price, more investments have been made in global zinc-lead mines and a recovery was seen in the production of lead-zinc concentrates. According to the latest forecast published by The International Lead and Zinc Study Group (ILZSG) in April 2017, in 2017, the production of global mine-produced zinc amounts to approximately 13.70 million tonnes, representing an increase of 9.8% as compared to the corresponding period of last year, while the production of refined zinc amounts to approximately 14.08 million tonnes, representing an increase of 6.5% as compared to the corresponding period of last year, and the increase of production of refined zinc is lower than that of mine-produced zinc by 3 percentage points. The expected demand for refined zinc worldwide in 2017 would be 14.30 million tonnes, and the shortage of that would be 226,000 tonnes, experiencing shortage for two consecutive years whilst reflecting a reduction in the level of shortage compared with that in 2016. Different from zinc, the production of lead in both 2016 and 2017 witnessed an increase, the global production of mine-produced lead in 2017 is approximately 4.92 million tonnes, representing an increase of 3.6% over the previous year, while the production of refined lead is approximately 11.391 million tonnes, representing an increase of 1.4% over the previous year, while the global demand for refined lead is approximately 11.393 million tonnes, achieving a balance between supply and demand.

2. The Operating Results of the Business

In the first half of 2017, excellent performance was observed in the overall market price of non-ferrous metal both at home and abroad, and as Ramu Nico Project of the Company had reached its production volume and targets, the operating revenue of overseas resource development business of the Company recorded substantial increase for the corresponding period of last year.

The overall operating results of the resource development business in the first half of 2017

Unit: RMB'000

	First half of 2017	% of the total	First half of 2016	Year-on-year growth
Segment operating revenue	2,506,503	2.44%	1,834,972	36.60%
Gross margin (%)	28.60	-	-0.83	Increased by 29.43 percentage points

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

(1) Ramu Nico Project

In the first half of 2017, the project produced nickel hydroxide, which contained 16,955 tonnes of nickel and 1,623 tonnes of cobalt, in aggregate, and sold nickel hydroxide, which contained 15,861 tonnes of nickel and 1,528 tonnes of cobalt. Among which, the monthly volume of production for May 2017 was 3,068 tonnes, accounting for 114.5% of the designed production capacity. The accumulated operating revenue in the first half of the year amounted to RMB982.49 million, representing an increase of 107.7% for the corresponding period of last year. Total profit accumulated for the year amounted to RMB-182.92 million, representing a decrease in loss of 71.5% as compared with the corresponding period of 2016. The increase in operating revenue and decrease in loss were mainly due to the increase in production and sales, as well as the substantial increase in the price of cobalt.

In order to endeavor to further reduce loss on projects and overcome the situation regarding the low price of nickel currently, the project is implementing technological transformation in accordance with work plans with a stable overproduction rate of 10%. It is expected that the production volume would be further increased at the end of this year.

(2) Pakistan Saindak Copper-Gold Mine Project

In the first half of 2017, the cumulative production of crude copper and sale of crude copper of the project were 5,935 tonnes and 6,633 tonnes respectively, and the cumulative operating revenue amounted to RMB407.82 million, representing an increase of 44.01% as compared to the corresponding period of last year. The cumulative total profit amounted to RMB84.23 million, representing an increase of 94.09% as compared to the corresponding period of last year.

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

In the first half of 2017, the upper system of the project cumulatively produced 2,526 tonnes of lead concentrate ore and 19,311 tonnes of zinc concentrate ore, and cumulatively sold 2,516 tonnes of lead concentrate ore and 18,568 tonnes of zinc concentrate ore. The cumulative revenue generated from sales amounted to RMB140.28 million while total profit amounted to RMB27.15 million.

(4) *Luoyang Polycrystalline Silicon Project*

In the first half of 2017, China Silicon Corporation Ltd. in Luoyang cumulatively produced 8,850 tonnes of polycrystalline silicon, and cumulatively sold 9,103 tonnes of polycrystalline silicon. The cumulative revenue generated from sales amounted to RMB957.67 million, representing a year-on-year decrease of 8.01%; while cumulative profit amounted to RMB184.25 million, representing a year-on-year increase of 168.57%.

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

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

Business Discussion and Analysis

I. BUSINESS DISCUSSION AND ANALYSIS

During the Reporting Period, the Company realized operating revenue of RMB101,085,487 thousand with a year-on-year growth of 5.49%, total profit of RMB3,974,212 thousand with a year-on-year growth of 11.12%, and net profit attributable to the Company of RMB2,674,676 thousand with a year-on-year growth of 10.71%.

(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	101,085,487	95,824,655	5.49
Operating costs	87,926,235	83,366,785	5.47
Selling expenses	839,359	734,570	14.27
Administrative expenses	4,612,053	4,361,156	5.75
Financial expenses	1,596,597	1,287,940	23.97
Net cash flows from operating activities	-14,199,872	-2,849,369	-
Net cash flows from investing activities	-3,874,876	-1,194,759	-
Net cash flows from financing activities	14,877,788	5,964,191	149.45
Research and development expenses	2,086,833	1,590,464	31.21

Explanation of change in operating revenue: The Company actively responded to the national strategic planning, seizing the opportunities brought by "the Belt and Road" and coordinated development of the Beijing, Tianjin and Hebei Region, carried out various measures at the same time and planned in orderly manner. The Company actively explored market in areas with developed economy, economic potential and economic vitality. The operating revenue for the first half of 2017 had a year-on-year increase of 5.49%.

Explanation of change in operating cost: The operating costs of the Company primarily includes sub-contracting expenses, material expenses, labour costs and machinery usage fees. In the first half of 2017 and in the first half of 2016, the operating costs of the Company were RMB87,926,235 thousand and RMB83,366,785 thousand respectively, representing a year-on-year increase of 5.47%, which was mainly due to the significant increase in the contractual amount of the newly signed contracts of the Company and the increase in the newly commenced projects.

Explanation of change in selling expenses: The Company's selling expenses mainly include employee compensation costs, transportation expenses, advertising and sale services expenses and travelling expenses. In the first half of 2017 and first half of 2016, the Company's selling expenses were RMB839,359 thousand and RMB734,570 thousand respectively, representing a year-on-year increase of 14.27%, which was mainly attributed to the increase in relevant cost due to the Company's active exploration of the market.

Explanation of change in administrative expenses: The Company's administrative expenses mainly include employee compensation costs, research and development expenses, depreciation expenses and office expenses. In the first half of 2017 and first half of 2016, the Company's selling expenses were RMB4,612,053 thousand and RMB4,361,156 thousand respectively, representing a year-on-year increase of 5.75%, which was mainly due to the long-term adherence of the Company to pursuing the path for the development of advanced technologies and thus the research and development expenses included in the administrative expenses recorded a relatively significant year-on-year increase.

Business Discussion and Analysis

Explanation of change in 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 2017 and first half of 2016, the Company's financial expenses were RMB1,596,597 thousand and RMB1,287,940 thousand respectively, representing a year-on-year increase of 23.97%, which was mainly due to the relatively significant year-on-year increase in foreign exchange losses.

Explanation of change in net cash flows from operating activities: In the first half of 2017 and first half of 2016, net cash flows generated from operating activities of the Company were RMB-14,199,872 thousand and RMB-2,849,369 thousand respectively, representing a year-on-year increase in net outflow of RMB11,350,503 thousand which was mainly due to the relatively significant year-on-year increase in land transfer payments of first and second-tier cities prepaid by the Company.

Explanation of change in net cash flows from investing activities: In the first half of 2017 and first half of 2016, net cash flows generated from investment activities of the Company were RMB-3,874,876 thousand and RMB-1,194,759 thousand, which was mainly due to the relatively significant increase in expenses on equity investment and fund investment resulted from the vigorous expansion of the PPP business market by the Company.

Explanation of change in net cash flows from financing activities: In the first half of 2017 and first half of 2016, the Company's net cash flows generated from financing activities amounted to RMB14,877,788 thousand and RMB5,964,191 thousand respectively. The large amount of net inflow from financing activities was mainly due to the Company moderately adjusted the scale and structure of financing based on the production and operating needs.

Explanation of change in research and development expenses: "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies" is the strategic position of the Company, in order to improve its competitiveness, strengthen the reserves of core technology and formulate industry technical standards, the Company continued to increase the investment in research and development, and thus the research and development expenses had a year-on-year increase of 31.21%.

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

1) Trend of macro-economy internationally and domestically

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

Business Discussion and Analysis

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

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

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

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

① Impact from changes in the tax revenue policy

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

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

② Impact of the fluctuation in exchange rate and currency policy

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

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

- 4) Overseas tax revenue policies and their changes

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

Business Discussion and Analysis

5) Changes in major raw materials' prices

The Company's engineering contracting, resource development and property development businesses require raw materials including steel, wood, cement, explosive initiators, waterproof materials, geometrical and additive agents, while the Company's equipment manufacture business requires 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 the Company's profitability on projects.

7) Operation of subsidiaries and key projects

The Company's Ramu Nico Laterite Mine Project in Papua New Guinea remained lossmaking while the profitability of poly-silicon business continued to strengthen. 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 businesses, strive to further improve the corporate governance and operation of internal control in order to strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. The Company will continue to deepen the design and operation of "macro environment, heavyweight clients and mega projects", through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity, design and operation and achieved a simple, efficient and effective management and control system. Whether these management goals can be effectively implemented or not will also influence, to quite a large extent, the improvement in the operating results of the Company.

9) Uneven distribution of revenue

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

Business Discussion and Analysis

(2) Explanation on Major Business by Segment

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 the major source of income and profits of the Company at present. The gross profit margin of the engineering contracting business for the first half of 2017 and first half of 2016 were 10.95% and 10.61% respectively, with a year-on-year increase of 0.34 percentage point. The increase was mainly due to the fact that the Company continued to improve its working effort on improving its quality while enhancing its efficiency and strictly controlled various unreasonable project expenditure.

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

Unit: RMB'000

Items of revenue	In the first half of 2017		In the first half of 2016		In the first half of 2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	21,156,717	24.36	24,342,464	29.81	35,647,752	41.75
Housing construction engineering	42,046,646	48.41	37,217,254	45.57	34,014,816	39.84
Transportation infrastructure	20,103,977	23.15	9,705,044	11.88	7,399,136	8.67
Other engineering	3,541,056	4.08	10,401,470	12.74	8,315,748	9.74
Total engineering contracting	86,848,396	100.00	81,666,232	100.00	85,377,452	100.00

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

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

Unit: RMB'000

Item of costs	In the first half of 2017		In the first half of 2016		In the first half of 2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	43,912,346	56.78	39,126,201	53.60	41,060,552	54.79
Materials expenses	21,569,632	27.89	18,597,938	25.48	22,563,411	30.11
Labour costs	4,837,489	6.26	3,995,027	5.47	4,110,421	5.48
Machinery usage fees	1,255,193	1.62	1,168,867	1.60	1,405,823	1.88
Others	5,760,678	7.45	10,115,015	13.85	5,806,728	7.74
Total engineering costs	77,335,338	100.00	73,003,048	100.00	74,946,935	100.00

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

Business Discussion and Analysis

(3) *Situation of major customers and major suppliers*

The sales of top five major customers amounted to RMB4,645,921 thousand, accounting for 4.60% of the total sales during the Reporting Period. The top five major customers have no connected relationship with the Company.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Company (%)
Customer 1	1,242,879	1.23
Customer 2	1,236,250	1.22
Customer 3	798,931	0.79
Customer 4	697,705	0.69
Customer 5	670,156	0.67
Total	4,645,921	4.60

The procurement of top five major suppliers amounted to RMB3,270,832 thousand, accounting for 3.44% of the total annual procurement; in particular, the procurement of related persons under the procurement of top five major suppliers amounted to RMB1,703,286 thousand, accounting for 1.94% of total procurement during the Reporting Period. The top five major suppliers are subcontractors for engineering and labour services.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Company (%)
Supplier 1	1,703,286	1.94
Supplier 2	549,414	0.62
Supplier 3	366,630	0.42
Supplier 4	332,354	0.38
Supplier 5	319,148	0.36
Total	3,270,832	3.72

3. **Others**

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

Applicable Not Applicable

(2) *Others*

Applicable Not Applicable

Business Discussion and Analysis

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

Applicable Not Applicable

(III) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB'000

Items	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to the total assets/total liabilities (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period with respect to the total assets/total liabilities (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)
Current Assets:	324,266,447	80.52	302,774,536	80.21	7.10
Cash and bank balances	40,433,497	10.04	44,863,390	11.88	-9.87
Accounts receivable	69,407,409	17.24	69,544,642	18.42	-0.20
Prepayments	25,267,901	6.27	13,421,058	3.56	88.27
Other receivables	36,624,636	9.09	31,409,955	8.32	16.60
Inventories	130,743,889	32.47	122,191,095	32.37	7.00
Non-current Assets:	78,428,809	19.48	74,717,068	19.79	4.97
Long-term equity investments	6,730,472	1.67	5,163,485	1.37	30.35
Intangible assets	15,501,745	3.85	14,416,860	3.82	7.53
Total Assets	402,695,256	100.00	377,491,604	100.00	6.68
Current Liabilities:	264,098,828	84.81	256,023,377	86.97	3.15
Short-term borrowings	55,313,105	17.76	49,740,440	16.90	11.20
Accounts payable	113,160,189	36.34	111,999,308	38.05	1.04
Receipts in advance	38,839,687	12.47	33,161,350	11.26	17.12
Non-current Liabilities:	47,312,853	15.19	38,360,524	13.03	23.34
Long-term borrowings	31,166,235	10.01	25,038,820	8.51	24.47
Total Liabilities	311,411,681	100.00	294,383,901	100.00	5.78

Cash and bank balances

As at 30 June 2017 and 31 December 2016, the balances of cash and bank balances of the Company were RMB40,433,497 thousand and RMB44,863,390 thousand respectively, representing a year-on-year decrease of 9.87%, which was mainly attributable to net cash outflow from production and operation activities of the Company in the first half of the year.

Accounts receivable

As at 30 June 2017 and 31 December 2016, the Company's net accounts receivable were RMB69,407,409 thousand and RMB69,544,642 thousand respectively, representing a year-on-year decrease of 0.20%, which was mainly due to the fact that the Company continued to strengthen the efforts on collection of accounts receivable, and achieved certain results.

Business Discussion and Analysis

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

Prepayments

As at 30 June 2017 and 31 December 2016, the net prepayments of the Company were RMB25,267,901 thousand and RMB13,421,058 thousand respectively, accounting for 6.27% and 3.56% respectively with respect to total assets, and representing a year-on-year increase of 88.27%, which was mainly due to the increase in land transfer payments of first and second-tier cities prepaid by the Company.

Other receivables

As at 30 June 2017 and 31 December 2016, the net other receivables of the Company were RMB36,624,636 thousand and RMB31,409,955 thousand respectively, accounting for 9.09% and 8.32% respectively with respect to total assets, and representing a year-on-year increase of 16.60%, which was mainly due to the increase in various security deposits paid by the Company for undertaking projects.

Inventories

The inventories of the Company mainly consisted of completed and unsettled engineering and construction works, costs for properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc. The inventory structure of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacture and resource development businesses in which the Company was engaged. As at 30 June 2017 and 31 December 2016, the Company's net inventories were RMB130,743,889 thousand and RMB122,191,095 thousand respectively. The net inventories increased by 7.00%, which was mainly due to the increase in inventories in respect of engineering construction.

Long-term equity investments

As at 30 June 2017 and 31 December 2016, the net long-term equity investments of the Company were RMB6,730,472 thousand and RMB5,163,485 thousand respectively, accounting for 1.67% and 1.37% respectively with respect to total assets, and representing a year-on-year increase of 30.35%, which was mainly due to the Company's vigorous expansion of the equity investment in the business market.

Intangible assets

As at 30 June 2017 and 31 December 2016, the aggregated carrying value of the Company's intangible assets were RMB15,501,745 thousand and RMB14,416,860 thousand respectively, representing a year-on-year increase of 7.53%. The Company's intangible assets mainly included land use rights, the right to use the franchise and patent and proprietary technology, etc.

Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consisted of credit loans and guaranteed loans from commercial banks and other financial organizations. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's short-term borrowings were RMB55,313,105 thousand and RMB49,740,440 thousand respectively, with a year-on-year increase of 11.20%. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's long-term borrowings were RMB31,166,235 thousand and RMB25,038,820 thousand respectively, with a year-on-year increase of 24.47%.

Business Discussion and Analysis

Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's accounts payable were RMB113,160,189 thousand and RMB111,999,308 thousand respectively, accounting for 36.34% and 38.05% respectively with respect to total liabilities, and representing a year-on-year increase of 1.04%, which was mainly due to the increase in the subcontracting and engineering costs payable.

Receipts in advance

Receipts in advance mainly included advance receipts under construction contracts, reserves for material costs, cost for settled but incomplete works and payments for pre-sale of apartments. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's receipts in advance were RMB38,839,687 thousand and RMB33,161,350 thousand respectively, accounting for 12.47% and 11.26% respectively with respect to total liabilities, and representing a year-on-year increase of 17.12%, which was mainly due to the increase in the advance receipts of project fees and payments for pre-sale of apartments.

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

For details on the restrictions on assets, please refer to "64. Assets with title restrictions" on page 203 to 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

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (<i>Unit</i>)	1,309	366	1,694	435	3,804
Total amount (<i>RMB'000</i>)	3,844,602	2,610,597	7,700,495	640,136	14,795,830

Project location	Domestic	Overseas	Total
Number of projects (<i>Unit</i>)	3,752	52	3,804
Total amount (<i>RMB'000</i>)	14,553,614	242,216	14,795,830

2. Projects under construction during the Reporting Period

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (<i>Unit</i>)	3,320	2,488	3,086	753	9,647
Total amount (<i>RMB'000</i>)	39,002,106	17,751,841	14,215,254	3,721,469	74,690,670

Business Discussion and Analysis

Project location	Domestic	Overseas	Total
Number of projects (Unit)	9,254	393	9,647
Total amount (RMB'000)	69,649,550	5,041,120	74,690,670

3. Substantial projects under construction

Applicable Not Applicable

4. Overseas projects during the Reporting Period

Project location	Number of projects (Unit)	Total amount (RMB'000)
Asia	377	4,487,552
Africa	115	419,239
South America	36	97,176
Europe	32	50,669
Oceania	17	264,583
North America	15	12,939
Total	592	5,332,158

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

5. Summary of completed and unsettled constructions among the inventory

Unit: RMB'000

Project	Accumulated costs incurred	Accumulated recognized gross profit	Estimated loss	Accumulated settlements	Balance of completed and unsettled constructions
Amount	754,415,712	58,899,655	1,619,854	741,355,272	70,340,241

(V) Investment analysis

Overall analysis on external equity investments

As at 30 June 2017 and 31 December 2016, the net long-term equity investments of the Company were RMB6,730,472 thousand and RMB5,163,485 thousand respectively, representing a year-on-year increase of 30.35%, which was mainly due to the Company's vigorous expansion of the equity investments in the business market.

(1) Substantial equity investments

Applicable Not Applicable

Business Discussion and Analysis

(2) Substantial non-equity investments

Applicable Not Applicable

(3) Financial assets measured at fair value

Securities investment:

No.	Stock variety	Stock code	Stock abbreviation	Initial Investment Amount (RMB)	Number of shares held (share)	Carrying amount at the end of the period (RMB)	Percentage in securities investment held at the end of the period (%)	Gain or loss incurred in the Reporting Period (RMB)
1	Shares	600787	CMST Development Corp. (中儲股份)	498,768	57,528	910,093	100	-133,465
Total				498,768	/	910,093	100	-133,465

Equity interests in other listed companies held by the Company

Stock code	Stock abbreviation	Initial investment cost (RMB'000)	Percentage of shareholding at the beginning of the period (%)	Percentage of Shareholding at the end of the period (%)	Carrying amount at the end of the period (RMB'000)	Gain or loss incurring in the Reporting Period (RMB'000)	Changes in owners' equity during the Reporting Period (RMB'000)	Account category
601328	Bank of Communications	93,402	0.05	0.05	276,664	-	17,856	Available-for-sale financial assets
000709	Hesteel	10,337	0.79	0.79	11,922	152	2,418	Available-for-sale financial assets
600665	Tande	1,122	0.02	0.02	791	-	-50	Available-for-sale financial assets
600117	Xining Special Steel	1,400	0.20	0.20	7,528	-	-852	Available-for-sale financial assets
600729	Chongqing Department Store	450	0.11	0.11	12,388	-	1,554	Available-for-sale financial assets
000005	Fountain	420	0.04	0.04	1,955	-	-567	Available-for-sale financial assets
000166	Shenwan Hongyuan	2,000	0.02	0.02	11,631	-	-2,033	Available-for-sale financial assets
000939	Kaidi Ecological	2,502	1.10	1.10	104,437	-	-27,338	Available-for-sale financial assets
600642	Shenergy	188	0.01	0.01	283	-	17	Available-for-sale financial assets
Total		111,821	/	/	427,599	152	-8,995	/

Business Discussion and Analysis

Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment amount (RMB)	Number of shares held (share)	Percentage of shareholding to the company (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Changes in owners' equity during the Reporting Period		Source of shares
						Account category	(RMB)	
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	-	1.28	30,000,000	-	-	Available-for-sale financial assets	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	-	0.74	27,696,000	-	-	Available-for-sale financial assets	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	17,097,680	-	2.20	17,097,680	-	-	Available-for-sale financial assets	By acquisition
Wuhan Iron & Steel Group Financial Corporation Limited (武漢鋼鐵集團財務有限責任公司)	2,000,000	-	0.13	2,000,000	-	-	Available-for-sale financial assets	By acquisition
Total	76,793,680	-	-	76,793,680	-	- /		/

(VI) Sales of substantial assets and equity interest

Applicable Not Applicable

(VII) Analysis of major controlled companies and investees

Relevant information in relation to the major controlled companies and investees of the Company, please refer to the Note "IX Interest in other entities" to the financial statements in this report.

(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

Business Discussion and Analysis

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

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

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

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

3. *Risks associated with non-metallurgical engineering business segment*

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

Business Discussion and Analysis

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

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

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

5. *Risks associated with equipment manufacture business segment*

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

6. *Risks associated with international operations*

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

Significant Events

I. 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 announcement of the A Share resolutions
2016 annual general meeting	26 June 2017	www.sse.com.cn www.hkexnews.hk	27 June 2017

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

Description of Shareholders' Meeting

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

II. PROPOSAL FOR PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE TO SHARE CAPITAL

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

Explanation on preliminary proposal for profit distribution or transfer of capital reserve to share capital

During the Reporting Period, the Company had no preliminary proposal for profit distribution or transfer of capital reserve to share capital for the half year.

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 defects in property rights of lands	MCC Group and MCC	As considered and approved at the 2013 annual general meeting of the Company, the undertakings of Company and the Controlling Shareholder in relation to the application for the title certificates for defective properties were changed as follows: 1. With respect to the building with a gross floor area of 156.01 sq.m. and the two land parcels with a total site area of 15,959.20 sq.m. in respect of which relevant certificates are expected to be applied successfully in the future, the application period for such certificates shall be extended to 36 months upon approval of such matter by the general meeting of the Company; 2. The Company shall cease to apply any title certificates for the 181 buildings and the 11 land parcels, in respect of which relevant certificates cannot be successfully applied or the application for such certificates cannot be completed within a given period. ^{Note}	27 June 2014 to 26 June 2017	Yes	Yes	-	-
	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 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	-	-

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

Significant Events

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Description of appointment and dismissal of accounting firm

Current Appointment

Name of the accounting firm	Deloitte Touche Tohmatsu CPA LLP
Remuneration of the accounting firm	20,700,000
Term of audit by the accounting firm	4 years

	Name	Remuneration
Accounting firm for internal control audit	Deloitte Touche Tohmatsu CPA LLP	2,700,000

Upon approval at the 2016 annual general meeting of the Company, the Company reappointed Deloitte Touche Tohmatsu CPA LLP (“Deloitte Touche Tohmatsu”) as its auditor for the year 2017, and was responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the China 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 some of the Company’s subsidiaries.

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

Deloitte Touche Tohmatsu has provided annual audit services for the Company for four consecutive years. The signing certified public accountants for the 2017 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 four 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

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 in effect that was yet to be executed nor overdue liabilities with a relatively significant outstanding amount and was not otherwise involved in any other similar circumstances.

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 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 the subsidiaries of MCC who fulfilled the requirements and had advantages in respect of the requirements concerning pilot employee stock ownership as stipulated by the SASAC to actively joining such plan, and finally MCC proposed CISDI Group Co., Ltd. to be a recommended enterprise for pilot employee stock ownership, subject to approval from the SASAC. After final discussion and consideration, such proposal was not included in the first batch of SASAC pilot enterprises, but was listed as a reserve enterprise for pilot employee stock ownership plan of the SASAC.

Other incentives measures

Applicable Not Applicable

Significant Events

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 (%)	Annual cap for the year 2017 considered and approved by the Board and the shareholders' meeting	Payment method for connected transaction	Market price	Reason for the significant difference between transaction price and reference market price
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase of Supplies-expenditure	Agreed price	-	1,704,762	6.3500	16,340,000	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Sales of commodities	Purchase of supplies-income	Agreed price	-	295,869	5.8920	4,820,000	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Engineering construction services-income	Agreed price	-	133,443	0.1637	20,520,000	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Production maintenance services-income	Agreed price	-	920	0.0469	13,000	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour service	Management services-expenditure	Agreed price	-	896	0.4299	30,000	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Management services-income	Agreed price	-	6,792	0.3489	165,000	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	House leasing-expenditure	Leases	-	23,140	8.8373	50,000	-	-	-
Total				/	/	2,165,822	/	/	/	/	/
Details of substantial sales return						N/A					
Description of connected transaction						N/A					

Significant Events

The 30th meeting of the second session of the Board was convened on 28 April 2017, which considered and approved the Resolution in relation to the Application of Annual Caps for the Daily Connected Transactions/Continuing Connected Transactions for 2017 to 2019 and the Signing of Connected Transactions Agreements. Set out below are the agreed annual caps for the daily connected transactions/continuing connected transactions between the Company and China Minmetals Corporation and its subsidiaries other than the Company ("China Minmetals Group") for the years from 2017 to 2019 (for details, please refer to the relevant announcement of the Company disclosed on 28 April 2017):

Unit: RMB0'000

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

The annual general meeting for the year 2016 of the Company was convened on 26 June 2017, which considered and approved the Resolution in relation to the Application of Annual Caps for the Daily Connected Transactions/Continuing Connected Transactions for 2017 to 2019 and the Signing of Connected Transactions Agreements, approved the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement entered into between the Company and China Minmetals on 31 May 2017, and approved the above mentioned annual caps for daily connected transactions in relation to purchase of materials, engineering construction and property financing services for the years from 2017 to 2019 between the Company and China Minmetals Group (please refer to the circular to the Shareholders disclosed on 9 June 2017 and the result of voting of the 2016 annual general meeting disclosed on 26 June 2017 for details).

Significant Events

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

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

Applicable Not Applicable

(III) Material connected transactions involving joint overseas investment

Applicable Not Applicable

(IV) Related creditors' rights and debts 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

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

Guarantor	Relationship between guarantor and the listed company		Guaranteed amount	Date of guarantee (agreement execution date)	Commencement date of guarantee		Type of guarantee	Whether the guarantee was fully fulfilled	Whether overdue	Amount under the guarantee	Whether any counter-guarantee was available	Whether guarantee for a related party	Connected relationship
	Relationship between guarantor and the listed company	Guaranteed party			date of guarantee	Expiry date of guarantee							
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	90,000,000 ⁽¹⁾	18 June 2009	18 June 2009	10 December 2017	Under joint liabilities	No	No	0	No	No	-
MCC Capital Engineering & Research Incorporation Limited	Controlling subsidiary	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	63,000,000 ⁽²⁾	2 February 2010	2 February 2010	2 December 2017	Under joint liabilities	No	No	0	No	No	-

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	153,000,000

Significant Events

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees provided to its subsidiaries during the Reporting Period	3,456,773,968.78
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)	16,669,125,620.32

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

Total amount of guarantees (A+B)	16,822,125,620.32
Total amount of guarantees as a percentage of the Company's net assets (%)	22.01%
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)	15,872,746,426.32
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)	15,872,746,426.32
Explanation on the potential joint repaying liability arising from outstanding guarantees	None
Explanation on guarantees	None

Notes:

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

3. Other material contracts

(1) Set out below are material contracts of engineering contracting with contractual amounts over RMB2 billion signed by the Company during the Reporting Period:

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party to the Contract	Performance Term
1	Smelting Reduction of Metal Pellet Project in Heilongjiang (黑龍江塔子溝遠原金屬化球團項目)	40.0	MCC TianGong Group Corporation Limited	30 months
2	Integrated Development Phase I Project of Provisional Cultivation in Small City of Gushan, Yongkang, Zhejiang Province (PPP Project) (浙江省永康古山小城市培育試點綜合開發一期項目(PPP項目))	36.8	China MCC 17 Group Co., Ltd.	36 months
3	General Construction Contracting for Extension Road and Integrated Piping System of Chunyu Road and Jinma Road in Kunming City (PPP Project) (昆明市春雨路及金馬路延長線道路和綜合管廊建設工程施工總承包(PPP項目))	35.2	China MCC 19 Group Co., Ltd.	23 months
4	EPC Contract for PPP Project of Construction Engineering of Airport Express and Road Network in Huangpi Area, Wuhan (PPP Project) (武漢黃陂區機場快線及路網建設工程PPP項目施工總承包合同(PPP項目))	32.1	China MCC 5 Group Co., Ltd.	60 months
5	EPC Contract for Construction of Guiyang City Rail Transit Line 2 (Phase II) (PPP Project)(貴陽市軌道交通2號線二期工程施工總承包合同(PPP項目))	32.0	Shanghai Baoye Group Corp., Ltd.	48 months

Significant Events

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party to the Contract	Performance Term
6	East Pole Town Project in the Supporting Functional Area of Heixiazi Island, Fuyuan City, Heilongjiang Province (PPP Project) (黑龍江撫遠市黑瞎子島配套功能區東極小鎮項目(PPP項目))	30.0	China Second Metallurgical Group Corporation Limited	120 months
7	Steel-making Engineering PC Contracting Project of Hebei Zongheng Group Fengnan Iron & Steel Co., Ltd. (河北縱橫集團豐南鋼鐵有限公司煉鋼工程PC承包項目)	26.1	China MCC 22 Group Co., Ltd.	16 months
8	Project of Standard Plants and Ancillary Facilities of Gannan Biopharmaceutical Industry Park and Innovation and Start – up Demonstration Park in Economic Development Zone of Jishou City, Hunan Province (PPP Project) (湖南省吉首市經開區幹南生物製藥產業園和創新創業示範園標準廠房及配套工程(PPP項目))	26.0	China First Metallurgical Group Co., Ltd.	37 months
9	Comprehensive Construction Project of Characteristic Urban Public Services and Infrastructure in Shuitian New District, Yanjin County, Yunnan Province (Phase I) (雲南省鹽津縣水田新區特色城鎮公共服務及基礎設施綜合建設(一期)工程)	26.0	CISDI Group Co., Ltd.	48 months
10	EPC Contract for Integrated Design, Procurement and Construction of The Fifth Xiangya Hospital (湘雅五醫院設計採購施工一體化總承包合同)	26.0	Zhong Ye Chang Tian International Engineering Co., Ltd.	32 months
11	Theme Park Cultural Tourism Complex Project of Sunbase Commercial New Town Project in Guanshanhu District, Guiyang City (貴陽市觀山湖區新恒基商業新城項目主題公園文化旅遊綜合體項目)	25.0	China First Metallurgical Group Co., Ltd.	39 months
12	Residential Project Located at Ancillary Land of Cultural and Sports Center in Zhangpu City, Fujian Province (福建省漳浦文體中心配套地塊住宅工程)	25.0	China MCC 17 Group Co., Ltd.	24 months
13	Transformation Projects of Urban Squatter Area for Dongshan Squatter Area (Phase I), Dongshan Squatter Area (Phase II) and Xinhua Street South Squatter Area in Wuhai City (烏海市城市棚戶區改造東山棚戶區一期、城市棚戶區改造東山棚戶區二期項目、城市棚戶區改造新華街南棚戶區改造項目)	21.5	China Second Metallurgical Group Corporation Limited	36 months
14	Resettlement Housing Project in Industrial Centralized Development Area in Jianyang, Sichuan Province (PPP Project) (四川省簡陽工業集中發展區安置房項目(PPP項目))	20.7	China MCC 19 Group Co., Ltd.	36 months
15	Integrated Demonstrative Project of Industrial Park and Industrial City in Fukang, Xinjiang (新疆阜康產業園產城融合示範項目)	20.0	MCC Huatian Group Co., Ltd.	24 months

Significant Events

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

No.	Name of Project	Contractual Amount (RMB100 million)	Signing Party to the Contract	Performance Term
1	Sino-Russian Friendship Convention and Exhibition Centre Project in St. Petersburg, Russia (俄羅斯聖彼得堡中俄友誼會展中心項目)	40.2	China 22 MCC Group Co., Ltd.	60 months
2	Kuwait Healthcare Hospital Project (科威特醫保醫院項目)	36.5	Metallurgical Corporation of China Ltd.	32 months
3	Residential Construction of Emerald City Project (Phase I) in Papua New Guinea (巴布亞新幾內亞翡翠城項目(一期)住宅工程)	23.8	MCC International Incorporation Ltd.	60 months

XII. PERFORMANCE OF POVERTY ALLEVIATION BY THE COMPANY

1. Targeted poverty alleviation programs

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

2. Summary of targeted poverty alleviation during the Reporting Period

(1) **Assuming office of the second batch of temporary cadres of MCC for targeted poverty alleviation**

The second batch of temporary cadres of MCC for targeted poverty alleviation assumed their office and reported to duty on 15 February 2017. Chan Yuk from China MCC 5 Group held a temporary post of vice county magistrate of Dejiang County, and Xu Yi from China Metallurgical Construction Engineering Group held a temporary post of vice county magistrate of Yanhe Tujia Autonomous County for a term of two years.

Together with Zhou Peicheng, the first secretary of Zhonghua Village, Jiancha Town in Dejiang County, who has worked for more than one year, there are a total of three persons assigned by MCC serving as temporary cadres in targeted poverty alleviation counties.

(2) **Regional investigation, survey and visits conducted by the leader-in-charge of poverty alleviation work in targeted alleviation service areas**

From 15 to 17 February 2017, Lin Jinzhen, the employee representative Director and secretary of the Communist Party Committee of MCC, went to Dejiang County and Yanhe Tujia Autonomous County to carry out investigation, survey and visit. He successively met Gong Pu, deputy director of Organizational Department of the CPC Tongren Municipal Committee, and the Party and government leaders of Dejiang County and Yanhe County to exchange ideas of poverty alleviation work. In addition, he went to Zhonghua Village, Jiancha Town in Dejiang County to visit Zhou Peicheng, the village-based first secretary.

Significant Events

(3) Promotion of implementation of poverty alleviation projects

The beautification and renovation of residential environment in Yutang Village, Shazi Street, Yanhe County commenced in May. Due to the adjustment to the planning of the County, the targeted poverty alleviation project in Dejiang County will commence in the second half of the year upon re-determination of the project.

Zhonghua Village used the solatium for education and poverty alleviation donated by the Company for improving the education conditions for children, constructing a cement mountain path at a length of around 400 meters which leads to Zhonghua Village Primary School, and enhancing safety facilities in the campus.

3. Statistical table of targeted poverty alleviation work of the Company during the Reporting Period

Unit: RMB0'000

Indicator	Amount and details
I. Overall situation	
Including: 1. Funds	384.63
2. Worth of materials	4.1784
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including: 1.1 Type of industrial poverty alleviation project	<input checked="" type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input type="checkbox"/> E-commerce <input type="checkbox"/> Assets income <input type="checkbox"/> Science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects (<i>unit</i>)	4
1.3 Contribution to industrial poverty alleviation projects	13
2. Poverty alleviation by transfer of employment	
Including: 2.1 Contribution to vocational skill training	1
2.2 Number of persons attending vocational skill training (<i>person/times</i>)	1,955
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>)	30
3.3 Contribution to improve education resources in poverty areas	5
4. Poverty alleviation by healthcare	
Including: 4.1 Contribution to medical and healthcare resources in poverty areas	2.3
5. Fallback protection	
Including: 5.1 Contribution to help "three types of villagers who stay in the village"	0.1
5.2 Number of beneficiaries of "three types of villagers who stay in the village" (<i>person</i>)	10

Significant Events

Indicator	Amount and details
6. Poverty alleviation in the society	
Including: 6.1 Contribution to targeted poverty alleviation work	360
7. Other projects	
Including: 7.1 Number of projects (<i>unit</i>)	4
7.2 Amount of contribution	6.9084
III. Awards (details and class)	
Zhou Peicheng was honored as the "Outstanding Village-based First Secretary of the City" in Tongren City, Guizhou Province for the year 2016 (June 2017)	

4. Subsequent targeted poverty alleviation programs

(1) *Assignment of a first secretary to assume office in Yanhe County*

Yang Cong, the cadre dispatched by China First Metallurgical Group, planned to assume his office as village-based first secretary in Yanhe County, Guizhou Province by the end of July. The two-year term of office of Zhou Peicheng, the first secretary of Zhonghua Village, Jiancha Town in Dejiang County, was completed in August.

(2) *Continuing promotion of targeted poverty alleviation projects and commencement of completion inspection and acceptance*

The Company pushed forward Dejiang County to determine its targeted poverty alleviation projects and start implementation as soon as possible. It organized inspection and acceptance work on completed poverty alleviation projects.

The Company collected the opinions on targeted poverty alleviation projects implemented by MCC from the local government and general public in order to start formulating a poverty alleviation program for the coming year.

(3) *Commencement of "Giving Warmth, Delivering Knowledge" donating activity*

The Company gathered its staff to donate winter clothing and books for the masses in targeted poverty alleviation areas so as to help the impoverished people withstand the cold as well as improve their level of knowledge and culture.

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable

XIV. ENVIRONMENTAL PROTECTION OF THE COMPANY AND ITS SUBSIDIARIES CATEGORIZED AS MAJOR SEWAGE DISCHARGE ENTERPRISES AS PUBLISHED BY THE ENVIRONMENTAL PROTECTION DEPARTMENT

In accordance with the Name List of Enterprises under Special Supervision or Enterprises with Significant Waste Disposal for 2017 published by the Ministry of Environmental Protection and provincial and municipal departments of environmental protection, among all subsidiaries of the Company, three of which are incorporated in enterprises under special supervision of exhaust gas, 20 of which are incorporated in enterprises under special supervision of wastewater treatment plants.

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. During the Reporting Period, the wastewater treatment plant in Wujin Textile Industrial Park introduced the collection system for the odor produced in the production process to significantly improve the air quality in and around the plant. The transformation of wastewater treatment plants in Wen County resulted in the improvement in the resource utilization of production techniques and equipment.

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

XV. COMPANY GOVERNANCE AND CORPORATE GOVERNANCE

During the Reporting Period, the Company was strictly in compliance with the provisions of PRC Company Law, Securities Law and relevant laws and regulations and regulatory rules in relation to company governance in domestic and overseas listing places, and improved its corporate governance system on a continuous basis. The Shareholders' Meeting, the Board and its special committees and the Supervisory Committee of the Company operated in compliance with laws and regulations in an effective manner, disclosed information in compliance with laws and regulations, and proactively expanded the communication channels with investors. The level of corporate governance steadily improved.

The Board has reviewed the Company's corporate governance documents and was in the view that the Company had complied with the requirements of the provision of the Corporate Governance Code during the Reporting Period, save for section E.1.2 of the Corporate Governance Code. According to the requirements of section E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting, but Guo Wenqing, the Chairman of the Company, failed to attend the 2016 annual general meeting due to business engagement. According to relevant provisions, Zhang Zhaoxiang (an executive Director and vice chairman of the Company), as elected by a majority of Directors of the Company, presided over the meeting.

1. Each meeting during the Reporting Period was convened in compliance with relevant provisions of the Company Law and the Articles of Association.

On 26 June 2017, the Company convened the 2016 annual general meeting. Directors (Zhang Zhaoxiang, Chan Ka Keung Peter and Mr. Lin Jinzhen), Supervisors (Yan Aizhong and Shao Bo), and Li Yuzhuo, secretary to the Board of the Company, attended the meetings, and other senior management of the Company was present at the meeting. At the meeting, resolutions including the work report of the Board for the year 2016, the work report of the Supervisory Committee for the year 2016, remuneration of directors and supervisors for the year of 2016, the guarantee plans for the year of 2017, the increase in registered capital of the Company and corresponding amendment to the Articles of Association and the application of annual caps for daily connected transactions/continuing connected transactions for the years from 2017 to 2019 and the signing of agreements regarding connected transactions were considered and approved, auditors for financial report and internal control for 2017 were appointed, and the 2017 Performance Report by Independent Directors was received.

During the Reporting Period, the Company convened 4 Board meetings, 4 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, mastered the trend of changes of regulatory rules, studied new rules ahead of time, strengthened the internal and external communication, and enforced the implementation thereof, thus ensuring that the work of information disclosure was in compliance with laws and regulations. In addition to disclosing the periodic and provisional announcements of the Company as required, the Company followed up and monitored the changes of regulation on a continuous basis to further enhance the accuracy and professional level of information disclosure. In the meantime, the Company focused on the disclosure based on the main concerns of regulatory authorities as well as those in the capital market, and reinforced the disclosure highlighting the new position for the Company's strategic development, core competitiveness, business development strengths and industry operational information, thus better catering to supervision changes and actively delivering positive information about the development of the Company to the capital market.

Significant Events

In addition, the Company further strengthened the communication and interaction with investors, analysts, financial media and actively presented the new image of its development to the capital market through Shareholder's Meetings and performance communication meetings, giving the investors 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 2017.
4. On 28 March 2017, Ms. Lin Xiaohui resigned from her position as company secretary, and upon consideration and approval by the Board of the Company, Ms. Li Yuzhuo and Ms. Lai Siu Kuen were appointed as joint company secretaries (for details, please refer to the relevant announcement disclosed by the Company on 28 March 2017).

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 2017. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2017 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 accounting period for the year 2016

In 2017, the Ministry of Finance made amendments to Accounting Standards for Business Enterprises No. 16 – Government Subsidies and issued Accounting Standards for Business Enterprises No. 42 – Non-current Assets Held for Sale, Disposal Groups and Discontinued Operation. The above amendments and newly issued accounting standards are being implemented by the Group since 2017 with prospective application. The amendments to and issuance of the above accounting standards had no significant impact on the financial statements of the Group. For details, please refer to the Note V 29 to the financial statements.

(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 of changes in shares

Unit: share

	Before change		Issue of new shares	Bonus shares	Change (+/-) Capital reserve transferred to shares	Others	Subtotal	After change	
	Number	Percentage (%)						Number	Percentage (%)
I. Shares subject to selling restrictions									
restrictions	0	0	1,613,619,170	0	0	0	1,613,619,170	1,613,619,170	7.79
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares owned by state-owned legal person	0	0	24,762,154	0	0	0	24,762,154	24,762,154	0.12
3. Other domestically-owned shares	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
Including: shares held by domestic non-state-owned legal person	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
shares held by domestic natural person	0	0	0	0	0	0	0	0	0
4. Foreign shareholding	0	0	0	0	0	0	0	0	0
Including: shares held by overseas legal person	0	0	0	0	0	0	0	0	0
Shares held by overseas natural person	0	0	0	0	0	0	0	0	0
II. Tradable shares not subject to selling restrictions	19,110,000,000	100	0	0	0	0	0	19,110,000,000	92.21
1. RMB-denominated ordinary shares	16,239,000,000	84.98	0	0	0	0	0	16,239,000,000	78.36
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas-listed foreign shares	2,871,000,000	15.02	0	0	0	0	0	2,871,000,000	13.85
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of shares	19,110,000,000	/	1,613,619,170	0	0	0	1,613,619,170	20,723,619,170	/

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.

Changes in Ordinary Shares and Particulars of Shareholders

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)	0	0	524,286,787	524,286,787	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)	0	0	181,345,336	181,345,336	Non-public issuance	6 January 2018
Penghua Asset Management Co., Ltd. (鵬華資產管理有限公司)	0	0	161,580,310	161,580,310	Non-public issuance	6 January 2018
Lion Fund Management Co., Ltd. (諾安基金管理有限公司)	0	0	166,581,968	166,581,968	Non-public issuance	6 January 2018
CCB Principal Asset Management Co., Ltd. (建信基金管理有限責任公司)	0	0	173,901,450	173,901,450	Non-public issuance	6 January 2018
China Hongxin Securities Co., Ltd. (宏信證券有限責任公司)	0	0	161,404,041	161,404,041	Non-public issuance	6 January 2018
Huatai Asset Management Company Ltd. (華泰資產管理有限公司)	0	0	219,757,124	219,757,124	Non-public issuance	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)	0	0	24,762,154	24,762,154	Non-public issuance	6 January 2018
Total	0	0	1,613,619,170	1,613,619,170	/	/

(III) Purchase, sale or redemption of listed securities of the Company

Except for the non-public issuance of A Shares of the Company as described in the part "I. Changes in Share Capital" of the section "Changes in Ordinary Shares and Particulars of Shareholders" and the issuance of renewable corporate bonds of the Company as described in the part "I. Basic Information on Corporate Bonds" of the section "Corporate Bonds" in this report, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

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	483,360
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period	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 Status of Shares	Amount	Nature of Shareholder
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) ^(a)	856,000	2,842,621,000	13.72	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	396,055,131	701,119,541	3.38	0	Nil	0	State-owned legal person
Huatai Asset Management Company Ltd. – Strategic Investment Products(華泰資產管理有限公司-策略投資產品)	185,220,207	185,220,207	0.89	185,220,207	Nil	0	Others
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	181,345,336	0.88	181,345,336	Nil	0	Others
Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust – Bohui No. 45 Collective Fund Trust (騰華資產 – 招商銀行 – 華潤深國投信託 – 華潤信託 – 博晉45號集合資金信託計劃)	161,580,310	161,580,310	0.78	161,580,310	Nil	0	Others
CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi International Investment – Haitang No. 2 Directional Investment Collective Fund Trust (建信基金 – 工商銀行 – 陝西國際信託 – 陝國投 – 海棠2號定向投資集合資金信託計劃)	161,404,041	161,404,041	0.78	161,404,041	Nil	0	Others
Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際信託有限公司 – 雲南信託 – 華浩1號集合資金信託計劃)	161,404,041	161,404,041	0.78	161,404,041	Nil	0	Others
Lion Fund – Industrial Securities – Nanjing Shuang'an Asset Management Co., Ltd. (諾安基金 – 興業證券 – 南京雙安資產管理有限公司)	161,401,139	161,401,139	0.78	161,401,139	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person

Changes in Ordinary Shares and Particulars of Shareholders

Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	12,265,108,500	RMB-denominated ordinary shares	12,265,108,500
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	2,842,621,000	Overseas-listed foreign shares	2,842,621,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	701,119,541	RMB-denominated ordinary shares	701,119,541
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classified Securities Investment Fund (中國農業銀行股份有限公司–富國中證國有企業改革指數分級證券投資基金)	35,861,162	RMB-denominated ordinary shares	35,861,162
Evergrande Life Insurance Company Limited –Comprehensive Portfolio B (恒大人壽保險有限公司–萬能組合B)	17,833,600	RMB-denominated ordinary shares	17,833,600
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	16,589,299	RMB-denominated ordinary shares	16,589,299
China Construction Bank–SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行–上證180交易型開放式指數證券投資基金)	14,307,125	RMB-denominated ordinary shares	14,307,125
Huang Canliang (黃燦良)	13,580,000	RMB-denominated ordinary shares	13,580,000
China Life Insurance Company Limited–Traditional–Ordinary Insurance Products –005L-CT001 Shanghai (中國人壽保險股份有限公司–傳統–普通保險產品–005L-CT001滬)	12,452,000	RMB-denominated ordinary shares	12,452,000
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		

Notes:

- (1) Figures in the table were extracted from the Company's register of Shareholders as of 30 June 2017.
- (2) The H Shares held by HKSCC Nominees Limited are those held on behalf of their multiple equity owners.

Changes in Ordinary Shares and Particulars of Shareholders

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

Unit: share

No.	Name of Shareholder who is subject to selling restrictions	Number of tradable shares held subject to selling restrictions held	Shares subject to selling restrictions available for listing and trading		Trading restrictions
			Time available for listing and trading	Number of additional shares available for listing and trading	
1	Huatai Asset Management Company Ltd. – Strategic Investment Products (華泰資產管理有限公司–策略投資產品)	185,220,207	6 January 2018	185,220,207	12 months
2	Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	6 January 2018	181,345,336	12 months
3	Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust • Bohui No. 45 Collective Fund Trust (鵬華資產–招商銀行–華潤深國投信託–華潤信託•博睿45號集合資金信託計劃)	161,580,310	6 January 2018	161,580,310	12 months
4	CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi International Investment • Haitang No. 2 Directional Investment Collective Fund Trust (建信基金–工商銀行–陝西國際信託–陝國投•海棠2號定向投資集合資金信託計劃)	161,404,041	6 January 2018	161,404,041	12 months
5	Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際信託有限公司–雲南信託–華浩1號集合資金信託計劃)	161,404,041	6 January 2018	161,404,041	12 months
6	Lion Fund – Industrial Securities – Nanjing Shuang'an Asset Management Co., Ltd. (諾安基金–興業證券–南京雙安資產管理有限公司)	161,401,139	6 January 2018	161,401,139	12 months
7	Caitong Fund – China Everbright Bank – China Galaxy Securities Co., Ltd. (財通基金–光大銀行–中國銀河證券股份有限公司)	51,806,010	6 January 2018	51,806,010	12 months
8	Caitong Fund – ICBC – Beijing Hesheng Qiantong Investment Co., Ltd. (財通基金–工商銀行–北京和盛乾通投資有限公司)	43,142,798	6 January 2018	43,142,798	12 months
9	Caitong Fund – Industrial Bank – Shanghai Guoxin Investment & Development Co., Ltd. (財通基金–興業銀行–上海國鑫投資發展有限公司)	38,854,508	6 January 2018	38,854,508	12 months
10	Caitong Fund – ICBC – Zhongxinjian Merchant Equity Investment Co., Ltd. (財通基金–工商銀行–中新建招商股權投資有限公司)	38,854,508	6 January 2018	38,854,508	12 months
11	Caitong Fund – ICBC – Huarong International Trust – Huarong • Yuance Fixed Gain Fund Advantage Portfolio Single Fund Trust (財通基金–工商銀行–華融國際信託–華融•遠策定增優勢組合單一資金信託)	38,854,508	6 January 2018	38,854,508	12 months

Explanations on the connections or parties acting in concert among the aforesaid Shareholders

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

Note: Names of Shareholders shall be those included in the new register of Shareholders as of 30 June 2017 provided by CSDCC.

(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

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	Supervisor	0	0	0	-
Peng Haiqing	Supervisor	41,500	41,500	0	-
Shao Bo	Employee Representative Supervisor	34,800 ⁽¹⁾	34,800 ⁽¹⁾	0	-
Zhang Mengxing	President	60,032	60,032	0	-
Wang Yongguang	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 ⁽²⁾	70,000 ⁽²⁾	0	-
Li Yuzhuo	Secretary to the Board	55,000	55,000	0	-

Notes:

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

Applicable Not Applicable

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

Applicable Not Applicable

III. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Company employed a total of 97,684 employees.

Level of Education of Current Employees:

Level of Education	Number of Current Employees	Percentage
Above Postgraduate	9,252	9.47%
Undergraduate	40,513	41.47%
College degree	18,374	18.81%
Below college degree	29,545	30.25%
Total	97,684	100%

Structure of Ages of Current Employees:

Structure of Ages	Number of Current Employees	Percentage
Aged 56 and above	3,772	3.86%
Aged 51-55	11,723	12.00%
Aged 46-50	15,753	16.13%
Aged 41-45	13,624	13.94%
Aged 36-40	12,415	12.71%
Aged 35 and below	40,397	41.36%
Total	97,684	100%

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

Unit: share

Name	Position	Class of Shares	Long/ short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
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 2017, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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 2017, as far as the Company is aware, interests of other senior management of the Company in the shares of the Company are as follows:

Unit: share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Wang Yongguang	Vice President	A Shares	Long position	Beneficial owner	50,000	0	0
Zou Hongying	Vice President and Chief Accountant	A Shares	Long position	Beneficial owner	40,000	0	0
Qu Yang	Vice President	H Shares	Long position	Beneficial owner	70,000	0	0
Li Yuzhuo	Secretary to the Board	A Shares	Long position	Beneficial owner	55,000	0	0

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

As at 30 June 2017, the Company was informed that the following persons had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

Unit: share

Name of substantial shareholder	Capacity	Number of A Shares	Nature of interest	Approximate percentage of the total issued A Shares (%)	Approximate percentage of the total issued shares (%)
China Metallurgical Group Corporation	Beneficial owner	12,265,108,500	Long position	68.70	59.18

Holders of H Shares

Unit: share

Name of substantial shareholder	Capacity	Number of H Shares	Nature of interest	Approximate percentage of the total issued H Shares (%)	Approximate percentage of the total issued shares (%)
BlackRock, Inc.	Interest of a controlled corporation	143,754,763	Long position	5.01	0.69

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 30 June 2017, in accordance with the register required to be kept under Section 336 of the SFO, no other person or corporation has an interest or short position in the Company's share capital that would require disclosure to the Company under Divisions 2 and 3 of Part XV of the SFO.

Corporate Bonds

I. BASIC INFORMATION ON CORPORATE BONDS

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

Payment of interest principal amount of corporate bonds

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

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

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

The value date of 2017 Renewable Corporate Bonds (Third Tranche) is effective from 11 July 2017 and the initial date of interest payment is 11 July 2018 (where it is a non-trading day, payment shall be postponed to the following trading date, during which no additional interests shall be accrued on the interest payment).

The value date of 2017 Renewable Corporate Bonds (Fourth Tranche) is effective from 28 July 2017 and the initial date of interest payment is 28 July 2018 (where it is a non-trading day, payment shall be postponed to the following trading date, during which no additional interests shall be accrued on the interest payment).

Other descriptions on corporate bonds

2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche) and 2017 Renewable Corporate Bonds (Fourth Tranche) are all targeted to qualified investors through public issuance.

II. AUTHORIZED CONTACT PERSONS AND CONTACT DETAILS OF CORPORATE BONDS AND CONTACT DETAILS OF CREDIT RANKING INSTITUTIONS

Bond trustee	Name	China Merchants Securities Co., Ltd.
	Office address	7th floor, North Building, Financial Street Centre, No. 9 Financial Street, Xicheng District, Beijing, PRC
	Contact persons	Zhang Hao, Yang Dong, Hu Yue and Wu Qi
	Contact No.	010-60840903
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 disclosure of this report, proceeds from the 2017 Renewable Corporate Bonds (First Tranche), the 2017 Renewable Corporate Bonds (Second Tranche), the 2017 Renewable Corporate Bonds (Third Tranche) and the 2017 Renewable Corporate Bonds (Fourth Tranche) have been used. The use of proceeds of the corporate bonds of the Company is in line with its intended use, use plan and other provisions as mentioned in the prospectus.

The deposit and use of the proceeds from corporate bonds shall be implemented pursuant to the "Special Account for Proceeds and Special Repayment Account Agreement" entered into between the regulatory bank and the bond trustee. The use of proceeds is in line with the relevant undertakings provided in the prospectus, 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 for the repayment of principal and interest.

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.

Corporate Bonds

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.

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

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

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

VI. CONVENTION OF CORPORATE BONDHOLDERS' MEETINGS

Since the issuance date of corporate bonds and up to the date of disclosure 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" and "17 MCC Y7". As stipulated under the "Bond Trustee Agreement" entered into between the Company and China Merchants Securities Co., Ltd. upon the issuance of corporate bonds, such company performed its relevant duties as a bond trustee.

VIII. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS 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	Reasons for the changes
Current Ratio	1.23	1.18	Increased by 0.05	The increase in current assets exceeded the increase in current liabilities
Quick Ratio	0.73	0.71	Increased by 0.02	The increase in quick assets exceeded the increase in current liabilities
Asset-liability Ratio	77.33%	77.98%	Decreased by 0.65 percentage point	Mainly due to the increase in net assets resulting from the operating balance and the issuance of perpetual bonds
Loan Repayment Ratio	100%	100%	–	N/A

Note: Asset-liability Ratio = (Total Liabilities ÷ Total Assets) x 100%

	The Reporting Period (January – June)	The end of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year	Reasons for the changes
EBITDA/Interest Protection Multiples	2.71	2.59	Increased by 0.12	Mainly due to the increase in total profits
Interest Payment Ratio	100%	100%	–	N/A

Corporate Bonds

IX. OVERDUE DEBT

Applicable Not Applicable

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 RMB454.9 billion from various financial institutions, of which RMB128.7 billion were utilized and RMB326.2 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

Applicable Not Applicable

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 (17) No. R00056

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 Company's and consolidated balance sheets as at 30 June 2017, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flow statements for the 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 Company's and consolidated financial positions as at 30 June 2017 and the Company's and consolidated 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
29 August 2017

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 2017

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII1	40,433,497	44,863,390
Financial assets at fair value through profit or loss	VII2	910	1,044
Bills receivable	VII3	15,754,384	16,026,955
Accounts receivable	VII4	69,407,409	69,544,642
Prepayments	VII5	25,267,901	13,421,058
Interests receivable	VII6	21,050	26,666
Dividends receivable	VII7	47,337	46,727
Other receivables	VII8	36,624,636	31,409,955
Inventories	VII9	130,743,889	122,191,095
Non-current assets due within one year	VII10	3,636,690	3,745,636
Other current assets	VII11	2,328,744	1,497,368
Total Current Assets		324,266,447	302,774,536
Non-current Assets:			
Available-for-sale financial assets	VII12	3,068,390	2,665,570
Long-term receivables	VII13	12,811,884	11,277,158
Long-term equity investments	VII14	6,730,472	5,163,485
Investment properties	VII15	2,856,865	2,486,596
Fixed assets	VII16	28,911,903	30,037,756
Construction in progress	VII17	3,229,772	3,653,172
Materials for construction of fixed assets	VII18	66,613	69,074
Intangible assets	VII19	15,501,745	14,416,860
Goodwill	VII20	165,730	173,058
Long-term prepayments	VII21	217,731	249,357
Deferred tax assets	VII22	4,502,920	4,358,008
Other non-current assets	VII23	364,784	166,974
Total Non-current Assets		78,428,809	74,717,068
TOTAL ASSETS		402,695,256	377,491,604

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	VII24	55,313,105	49,740,440
Derivative financial liabilities	VII25	6,629	17,443
Bills payable	VII26	16,966,056	17,638,291
Accounts payable	VII27	113,160,189	111,999,308
Receipts in advance	VII28	38,839,687	33,161,350
Employee benefits payable	VII29	1,987,856	1,915,566
Taxes payable	VII30	1,852,905	3,110,767
Interests payable	VII31	616,106	493,527
Dividends payable	VII32	1,986,388	827,426
Other payables	VII33	19,736,940	18,681,125
Non-current liabilities due within one year	VII34	8,896,935	14,440,253
Other current liabilities	VII35	4,736,032	3,997,881
Total Current Liabilities		264,098,828	256,023,377
Non-current Liabilities:			
Long-term borrowings	VII36	31,166,235	25,038,820
Bonds payable	VII37	10,021,397	6,654,000
Long-term payables	VII38	910,818	850,280
Long-term employee benefits payable	VII39	3,403,556	3,646,673
Special payables	VII40	7,959	7,175
Provisions	VII41	254,406	568,876
Deferred income	VII42	1,338,358	1,382,299
Deferred tax liabilities	VII22	210,124	212,401
Total Non-current Liabilities		47,312,853	38,360,524
TOTAL LIABILITIES		311,411,681	294,383,901
Shareholders' Equity:			
Share capital	VII43	20,723,619	20,723,619
Other equity instruments	VII44	14,584,565	9,884,950
Including: Perpetual bond		14,584,565	9,884,950
Capital reserve	VII45	22,417,087	22,438,344
Other comprehensive income	VII46	270,203	189,057
Special reserve	VII47	12,550	12,550
Surplus reserve	VII48	1,100,651	1,100,651
Retained earnings	VII49	17,312,824	16,203,904
Total shareholders' equity attributable to shareholders of the Company		76,421,499	70,553,075
Non-controlling interests		14,862,076	12,554,628
TOTAL SHAREHOLDERS' EQUITY		91,283,575	83,107,703
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		402,695,256	377,491,604

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 2017

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		2,293,362	7,703,977
Accounts receivable	XVI1	645,396	823,423
Prepayments		372,833	161,552
Interests receivable	XVI2	1,769,982	2,000,053
Dividends receivable	XVI3	1,531,602	2,100,649
Other receivables	XVI4	25,658,132	26,183,580
Inventories		470,250	299,065
Non-current assets due within one year		1,657,037	1,577,037
Total Current Assets		34,398,594	40,849,336
Non-current Assets:			
Available-for-sale financial assets		231	231
Long-term receivables	XVI5	3,723,374	2,469,574
Long-term equity investments	XVI6	83,884,812	79,317,111
Fixed assets		11,645	12,592
Construction in progress		10,003	8,518
Intangible assets		10,290	9,597
Total Non-current Assets		87,640,355	81,817,623
TOTAL ASSETS		122,038,949	122,666,959

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	XVII7	26,261,680	27,514,934
Accounts payable		891,240	818,728
Receipts in advance		1,154,695	541,402
Employee benefits payable		9,753	8,974
Taxes payable		48,524	46,848
Interests payable		398,560	238,965
Dividends payable		1,449,389	168,633
Other payables	XVII8	7,084,420	11,430,335
Non-current liabilities due within one year	XVII9	803,755	853,755
Total Current Liabilities		38,102,016	41,622,574
Non-current Liabilities:			
Long-term borrowings	XVII10	4,417,808	5,016,690
Bonds payable		2,704,000	2,704,000
Long-term payables		78,980	78,980
Long-term employee benefits payable		16,988	18,061
Deferred income		4,411	4,411
Total Non-current Liabilities		7,222,187	7,822,142
TOTAL LIABILITIES		45,324,203	49,444,716
Shareholders' Equity:			
Share capital		20,723,619	20,723,619
Other equity instruments		14,584,565	9,884,950
Including: Perpetual bond		14,584,565	9,884,950
Capital reserve		38,041,092	38,041,092
Other comprehensive income		2,197	1,465
Special reserve		12,550	12,550
Surplus reserve		1,100,651	1,100,651
Retained earnings		2,250,072	3,457,916
TOTAL SHAREHOLDERS' EQUITY		76,714,746	73,222,243
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		122,038,949	122,666,959

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 2017

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Total operating revenue		101,085,487	95,824,655
Including: Operating revenue	VII50	101,085,487	95,824,655
II Total operating costs		97,299,341	92,901,625
Including: Operating costs	VII50	87,926,235	83,366,785
Taxes and levies	VII51	963,708	1,728,019
Selling expenses	VII52	839,359	734,570
Administrative expenses	VII53	4,612,053	4,361,156
Financial expenses	VII54	1,596,597	1,287,940
Impairment losses of assets	VII55	1,361,389	1,423,155
Add: Gains from changes in fair values	VII56	10,680	6,349
Investment income	VII57	11,298	312,688
Including: Gains (Losses) from investments in associates and joint ventures		(70,135)	256,191
III Operating profit		3,808,124	3,242,067
Add: Non-operating income	VII58	252,252	387,938
Including: Gains from disposal of non-current assets		43,698	54,806
Less: Non-operating expenses	VII59	86,164	53,604
Including: Losses from disposal of non-current assets		7,687	10,680
IV Total profit		3,974,212	3,576,401
Less: Income tax expenses	VII60	1,056,357	749,237
V Net profit		2,917,855	2,827,164
Net profit attributable to shareholders of the Company		2,674,676	2,415,926
Profit or loss attributable to non-controlling interests		243,179	411,238

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

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	VII61	63,413	(64,868)
Other comprehensive income attributable to shareholders of the Company, net of income tax		81,146	(79,584)
(I) Items that will not be reclassified subsequently to profit or loss		141,156	1,554
1. Re-measurement of defined benefit obligations		141,156	1,554
(II) Items that may be reclassified subsequently to profit or loss		(60,010)	(81,138)
1. Net (loss) gain on revaluation of available-for-sale financial assets		(7,010)	(78,646)
2. Exchange differences on translating foreign operations		(52,896)	(2,492)
3. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method		(104)	–
Other comprehensive income attributable to non-controlling interests, net of income tax		(17,733)	14,716
VII Total comprehensive income		2,981,268	2,762,296
Total comprehensive income attributable to shareholders of the Company		2,755,822	2,336,342
Total comprehensive income attributable to non-controlling interests		225,446	425,954
VIII Earnings per share	XV3		
(I) Basic earnings per share (RMB/share)		0.11	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

Financial Report

For the six months ended 30 June 2017

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Operating revenue	XVI11	1,713,403	699,262
Less: Operating costs	XVI11	1,587,102	664,773
Taxes and levies		4,950	(906)
Administrative expenses		76,251	62,770
Financial expenses		208,589	204,959
Impairment losses of assets	XVI12	(23,370)	59,672
Add: Investment income	XVI13	500,800	780,062
Including: Gain (Losses) from investments in associates and joint ventures		800	(3,380)
II Operating profit		360,681	488,056
Add: Non-operating income		1,445	380
Including: Gains from disposal of non-current assets		—	3
Less: Non-operating expenses		518	13
Including: Losses from disposal of non-current assets		—	13
III Total profit		361,608	488,423
Less: Income tax expenses		3,696	—
IV Net profit		357,912	488,423
V Other comprehensive income, net of income tax		732	(16)
(I) Items that will not be reclassified subsequently to profit or loss		732	(16)
1. Re-measurement of defined benefit obligations		732	(16)
VI Total comprehensive income		358,644	488,407

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 CASH FLOW STATEMENT

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		106,678,318	96,937,030
Receipts of tax refunds		160,017	265,826
Other cash receipts relating to operating activities	VII62(1)	1,296,491	1,605,988
Sub-total of cash inflows from operating activities		108,134,826	98,808,844
Cash payments for goods purchased and services received		100,079,993	82,204,191
Cash payments to and on behalf of employees		7,987,873	7,766,526
Payments of various types of taxes		6,166,450	6,678,214
Other cash payments relating to operating activities	VII62(2)	8,100,382	5,009,282
Sub-total of cash outflows from operating activities		122,334,698	101,658,213
Net Cash Flows from Operating Activities	VII63(1)	(14,199,872)	(2,849,369)
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		–	1,472,609
Cash receipts from investment income		28,127	99,959
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		106,002	121,627
Other cash receipts relating to investing activities	VII62(3)	148,870	117,738
Sub-total of cash inflows from investing activities		282,999	1,811,933
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,850,874	1,354,545
Cash payments to acquire investments		2,216,045	988,388
Other cash payments relating to investing activities	VII62(4)	90,956	663,759
Sub-total of cash outflows from investing activities		4,157,875	3,006,692
Net Cash Flows from Investing Activities		(3,874,876)	(1,194,759)

Financial Report

For the six months ended 30 June 2017

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

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		6,866,147	25,043
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		2,166,532	25,043
Cash receipts from issuing perpetual bonds		4,699,615	–
Cash receipts from borrowings		49,078,747	48,771,932
Other cash receipts relating to financing activities	VII62(5)	1,138,273	1,204,680
Sub-total of cash inflows from financing activities		57,083,167	50,001,655
Cash repayments of borrowings		39,135,209	39,928,279
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,911,939	4,027,830
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		119,491	335,191
Other cash payments relating to financing activities	VII62(6)	158,231	81,355
Sub-total of cash outflows from financing activities		42,205,379	44,037,464
Net Cash Flows from Financing Activities		14,877,788	5,964,191
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(94,660)	71,348
V Net (decrease) increase in Cash and Cash Equivalents		(3,291,620)	1,991,411
Add: Opening balance of Cash and Cash equivalents		38,711,911	28,736,378
VI Closing Balance of Cash and Cash Equivalents	VII63(2)	35,420,291	30,727,789

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 CASH FLOW STATEMENT

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		2,372,868	1,022,764
Receipts of tax refunds		1,442	8,741
Other cash receipts relating to operating activities		24,263	36,562
Sub-total of cash inflows from operating activities		2,398,573	1,068,067
Cash payments for goods purchased and services received		1,747,946	808,258
Cash payments to and on behalf of employees		48,394	38,773
Payments of various types of taxes		23,583	96,937
Other cash payments relating to operating activities		269,053	69,197
Sub-total of cash outflows from operating activities		2,088,976	1,013,165
Net Cash Flows from Operating Activities	XVI14(1)	309,597	54,902
II Cash Flows from Investing Activities:			
Cash receipts from investment income		1,887,277	1,657,332
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		–	3
Other cash receipts relating to investing activities		508,892	5,996,421
Sub-total of cash inflows from investing activities		2,396,169	7,653,756
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,518	3,173
Cash payments to acquire investments		4,566,901	1,402,441
Other cash payments relating to investing activities		1,333,800	–
Sub-total of cash outflows from investing activities		5,904,219	1,405,614
Net Cash Flows from Investing Activities		(3,508,050)	6,248,142

Financial Report

For the six months ended 30 June 2017

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S CASH FLOW STATEMENT

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		16,593,781	21,767,844
Other cash receipts relating to financing activities		196	—
Sub-total of cash inflows from financing activities		21,293,592	21,767,844
Cash repayments of borrowings		22,527,626	27,069,786
Cash payments for distribution of dividends or profits or settlement of interest expenses		967,597	2,197,541
Other cash payments relating to financing activities		—	18,115
Sub-total of cash outflows from financing activities		23,495,223	29,285,442
Net Cash Flows from Financing Activities		(2,201,631)	(7,517,598)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(10,335)	(3,436)
V Net Decrease in Cash and Cash Equivalents		(5,410,419)	(1,217,990)
Add: Opening balance of Cash and Cash equivalents		7,692,102	2,727,147
VI Closing Balance of Cash and Cash Equivalents	XVI14(2)	2,281,683	1,509,157

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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2017								
	Attributable to shareholders of the Company								
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
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 shareholders	-	-	-	-	-	-	-	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. 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

Financial Report

For the six months ended 30 June 2017

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2016								
	Attributable to shareholders of the Company								
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
I Closing balance of the preceding period	19,110,000	9,884,950	17,876,690	192,320	12,550	698,872	12,782,248	10,597,394	71,155,024
Add : Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	19,110,000	9,884,950	17,876,690	192,320	12,550	698,872	12,782,248	10,597,394	71,155,024
III Changes for the period	-	-	(2,198)	(79,584)	-	-	1,115,567	100,183	1,133,968
(I) Total comprehensive income	-	-	-	(79,584)	-	-	2,415,926	425,954	2,762,296
(II) Shareholders' contributions and reduction in capital	-	-	(2,198)	-	-	-	-	9,420	7,222
1. Capital contribution from shareholders	-	-	-	-	-	-	-	25,043	25,043
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-
3. Others	-	-	(2,198)	-	-	-	-	(15,623)	(17,821)
(III) Profit distribution	-	-	-	-	-	-	(1,300,359)	(335,191)	(1,635,550)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,300,359)	(335,191)	(1,635,550)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	935,095	-	-	70,219	1,005,314
2. Amount utilized in the current period	-	-	-	-	(935,095)	-	-	(70,219)	(1,005,314)
(VI) Others	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	9,884,950	17,874,492	112,736	12,550	698,872	13,897,815	10,697,577	72,288,992

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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2017							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	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. 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

Financial Report

For the six months ended 30 June 2017

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 2016							
	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	19,110,000	9,884,950	33,481,220	(2,105)	12,550	698,872	1,394,324	64,579,811
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II Opening balance of the current period	19,110,000	9,884,950	33,481,220	(2,105)	12,550	698,872	1,394,324	64,579,811
III Changes for the period	-	-	-	(16)	-	-	(811,936)	(811,952)
(I) Total comprehensive income	-	-	-	(16)	-	-	488,423	488,407
(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	-	-	-	-	-	-	(1,300,359)	(1,300,359)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,300,359)	(1,300,359)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	9,884,950	33,481,220	(2,121)	12,550	698,872	582,388	63,767,859

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. On 2 June 2016, CMGC and CMC organized a meeting for restructuring. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company will not change upon the completion of the Strategic Restructuring. As of the date of issuance of these financial statements, the transfer of title of the underlying assets related to the Strategic Restructuring is still in progress.

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

The Group provides 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's and consolidated financial statements had been approved by the Board of Directors of the Company on 29 August 2017.

2. Scope of consolidated financial statements

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

IV. BASIS OF PREPARATION

1. Basis of preparation

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

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

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

2. Accrual basis and measurement principle

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

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

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

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

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

3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 30 June 2017 and does not identify any significant doubtful matter or event on the going concern. As such, these financial statements have been prepared on a going concern basis.

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 2017 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.

5. Business combinations

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Business combinations (Continued)

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

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

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

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

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

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

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

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

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

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

7. Investments in associates and joint ventures

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

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

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

A joint operation refers to whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. When the Group undertakes its activities under joint operations, the Group as a joint operator recognized in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the provision applicable to the particular assets, liabilities, revenues and expenses.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(Continued)

8. Cash and cash equivalents

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

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

(1) Transactions denominated in foreign currencies

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

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

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

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

(2) Translation of financial statements denominated in foreign currency

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

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".

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(2) Translation of financial statements denominated in foreign currency (Continued)

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

(1) Financial assets

(a) Classification of the financial assets

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(a) Classification of the financial assets (Continued)

— Loans and receivables

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

— Available-for-sale financial assets

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

— Held-to-maturity investments

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(b) Recognition and measurement of the financial assets

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

— Effective interest rate method

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

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

— Subsequent measurement of the financial assets

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(c) Impairment of financial assets

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the Group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group. Such observable data includes:
 - (i) Adverse changes in the payment status of borrower in the Group of assets;
 - (ii) Economic conditions in the country or region of the borrower which may lead to a failure to pay the Group of assets;
- Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(c) Impairment of financial assets (Continued)

- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost (i.e. at the balance sheet date, the fair value of an investment in an equity instrument is not more than 50% of the initial acquisition cost of that investment or the fair value is lower than the initial acquisition cost for more than 12 months);
- Other objective evidence indicating there is an impairment of a financial asset.

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(d) Derecognition of financial assets

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(2) Financial liabilities

(a) Classification, recognition and measurement of financial liabilities

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

— Financial liabilities at FVTPL

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

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

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

— Other financial liabilities

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(2) Financial liabilities (Continued)

(b) Derecognition of financial liabilities

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

(3) Offsetting financial assets and financial liabilities

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

(4) Equity instruments

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables

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

Basis or monetary criteria for determining an individually significant receivable A receivable with an amount greater than RMB100,000,000 is considered to be individually significant.

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows.

(2) Receivables for which provision for impairment is assessed collectively in portfolios of credit risk characteristics

Bad debt provision method by portfolios of credit risk characteristics

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

Group 2: no provision No need to recognize bad debts provision according to nature of business.

Aging analysis method:

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories

(1) *Categories of inventories and initial measurement*

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, material procurement, outsourced processing materials, work in progress, finished goods, other materials, properties under development, completed properties held for sale, construction contracts-gross amount due from contract customers etc.

(2) *Valuation method of inventories upon delivery*

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

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

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories (Continued)

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

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

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

13. Long-term equity investments

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

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

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

(1) Determination of investment cost

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

(2) Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

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

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

(5) The disposal of long-term equity investment

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

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

14. Investment properties

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Investment properties (Continued)

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

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

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

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

15. Fixed assets

(1) Recognition criteria for fixed assets

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

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

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed assets (Continued)

(2) Depreciation of each category of fixed assets

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

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

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

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

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

(4) Other explanations

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Construction in progress

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

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

17. Borrowing costs

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

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets

(1) Valuation methods, service life, impairment test

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

(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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

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

(e) Patent and proprietary technologies

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

(f) Review the useful life and amortization method periodically

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

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

(2) Research and development expenditure

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Impairment of long-term assets

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

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

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

20. Long-term prepayments

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

21. Employee benefits

(1) Short-term employee benefits

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

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognized as liabilities and included in the profits or losses of the current 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits (Continued)

(2) Post-employment benefits

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

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

The Group provides supplementary pension benefits to certain retired employees, which is considered as defined benefit plans. The defined benefit plans obligation is calculated semiannually by independent actuaries using the projected unit credit method. The Group's defined benefit plans include the following components: (i) Service cost include current 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.

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Provisions

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

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

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

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

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

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

23. Perpetual bonds or other financial instruments

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue

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

(1) Revenue from sale of goods

Revenue from sale of goods is recognized when:

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

(2) Revenue from construction contracts

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

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

Revenue from fixed price construction contracts is recognized when:

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(2) Revenue from construction contracts (Continued)

(a) (Continued)

The outcome of cost plus contract can be reliably estimated provided that these two conditions can be achieved:

- It is probable that the associated economic benefits will flow to the Group;
- The associated costs incurred can be clearly separated and measured reliably.

At the balance sheet date, the amount of total contract revenue times the schedule of completion and deducting the previous accumulated revenue is recognized as contract income in the current period. Meanwhile, the amount of estimated total contract costs multiplied by the completion progress deducted the previously recognized costs is recognized as contract costs in the current period. Changes in contract work, claims and bonuses, would be included in the total contract revenue depend on the potential revenue and the amount can be reliably calculated.

(b) When the outcome of a construction contract cannot be estimated reliably:

- If contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the period in which they are incurred;
- If contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized.

(c) If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period.

The disclosure for construction is set out in Note VII9(4) and Note VII28(3).

(3) Revenue from rendering of services

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

Revenue from rendering of services is recognized when:

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(3) Revenue from rendering of services (Continued)

- (b) When the outcome of the transaction involving the rendering of services cannot be estimated reliably:
- When it is probable that the costs incurred that will be recovered, the revenue is recognized to the extent of the costs incurred and the costs are recognized as the same amount;
 - When it is not probable that the costs incurred will be recovered, the costs incurred should be recognized as expenses immediately when incurred and revenue is not recognized.

(4) Assignment of asset use right

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

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

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

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

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

(5) Revenue from mining

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

(6) Revenue from sales of properties

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

(7) Build- Operation-Transfer (“BOT”) revenue

During the construction period of the BOT contract, revenue and expenses are recognized in accordance with construction contracts. After the completion of the BOT construction contract, revenue is recognized in accordance with service income.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, including tax returns, financial subsidies and so on.

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period. Government grants received by the Group related to routine activities are offset with the related costs and expenses according to the economic nature of business; whereas government grants 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 of the Group mainly include the investment subsidies for the purchase or construction of new equipment and other production infrastructure. As they are used for creating long-term assets by purchase or other ways, such government grants are recognized as the government grants related to assets.

Government grants related to assets of the Group will be recognized as deferred income and amortized to profit or loss 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 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.

If the government grants related to income are compensation for related expenses to be incurred in subsequent periods, they are recognized as deferred income, and will be recognized in non-operating income or used to offset with related costs and expenses. If the government grants related to income are compensation for related expenses already incurred, they are recognized immediately in non-operating income or used to offset with related costs and expenses.

(3) *Relocation compensation received for relocation in the public interests*

The Group receives relocation compensation from the government for the benefit of public interests such as urban overall planning, reservoir construction, and transformation of squatter settlements and settling area control. The relocation compensation is paid out of financial budgets by governments and is recognized as special payables when received. Compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred out from special payables, and recognizes as government grants related to assets or income accordingly. Excess of the relocation compensation over the amount charged against the carrying amount of underlying assets or 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 comprises the following two scenarios: when the government finance authority allocates interest subsidy fund to the bank which thereafter issues loans to the Group at preferential low-interest rates, the Group recognizes such borrowing at an amount actually received and calculates the borrowing costs based on the principal and the preferential low-interest rates. However, when the government finance authority allocates the interest subsidy fund to the Group directly, the Group deducts the interest subsidy from related borrowing costs.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Deferred tax assets/deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

All taxable temporary differences are recognized as related deferred tax liabilities under normal circumstances. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized. However, for deductible temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

27. Leases

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

(1) *Operating leases*

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

(2) *Finance leases*

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

(3) *Sale and lease back*

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

28. Other significant accounting policies and accounting estimates

(1) *Distribution of profit*

The cash dividend of the Company is recognized as a liability upon approval in the annual shareholders' meeting.

(2) *Production safety expenses*

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization <CaiQi [2012] No.16>, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(3) Segment information

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

(4) Significant accounting judgments and estimates

As operating activities have inherent uncertainties, the Group need to make judgments, estimates and assumptions upon report items that cannot be accurately calculated in applying the above accounting policies. These judgments, estimates and assumptions are made based on historical experiences of the management of the Group, taking other related factors into consideration. The actual results may be different from the estimates of the Group.

The Group review the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current 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.

— Important judgments in applying accounting policies

The Group made some important judgments in applying accounting policies, which have significant influences on the amount of financial statements.

(a) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V23 to be recorded as equity instrument. Details are set out in Note VII44.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(4) Significant accounting judgments and estimates (Continued)

– The key assumptions and uncertainties used in accounting estimates

As at balance sheet date, the key assumptions concerning the future, and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next 12 months are as below:

(a) Construction contracts

The Company recognizes the revenue of construction contract using percentage-of-completion method (shall be estimated by the management). Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs or extent of progress toward completion; estimates are revised, if needed. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in consolidated income statement in the year in which the circumstances that give rise to the revision become known by management.

(b) Provision for impairment

The impairment of receivables is based on the evaluation of the collectability of the outstanding receivables. Provisions for impairment will be made where there is objective evidence that such receivables are not collectible. The management's judgment and estimation are required in the recognition of the impairment of receivables. If re-estimations differ from the original estimates, such differences will affect the profit and carrying amount of receivables in the period in which the estimate changes.

As at 30 June 2017, the carrying amount of accounts receivable of the Group was RMB69,407,409,000 (as at 31 December 2016: RMB69,544,642,000), the amount of the provisions for bad debts deducted was RMB12,517,187,000 (as at 31 December 2016: RMB12,134,040,000), details of which are set out in Note VII4(1).

(c) Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

At the end of each year, the Group reviews and makes appropriate adjustment for expected service life and expected net salvage value of fixed assets.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(4) Significant accounting judgments and estimates (Continued)

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

(d) Impairment loss on assets

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired, such as long-term equity investments, fixed assets, construction in progress, intangible assets with finite life, investment properties measured at cost model and other long-term assets. The recoverable amount of the asset or assets group is the higher of the present value of future cash flow estimated to be derived from the asset and the fair value less costs to sell.

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 12.55% to 17.33% for the reporting period (for the year ended 31 December 2016: 12.79% to 17.33%).

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

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

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

(e) Tax

The Company and its subsidiaries are subject to income taxes and other taxes in numerous jurisdictions in domestic provinces and certain overseas countries. The ultimate tax effect of many transactions has uncertainty during normal business activities. The Group shall make significant judgment on current 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(4) Significant accounting judgments and estimates (Continued)

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

(e) Tax (Continued)

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the deductible temporary differences or tax losses can be utilized. In cases where the estimated amount differs from original estimation, the difference would influence the recognition of deferred tax assets in the period when the estimation changes. Deferred tax assets relating to certain temporary differences and tax losses should not be recognized if management considers it is not probable to utilize the deductible temporary differences or tax losses to deduct taxable income in future.

As at 30 June 2017, the Group has recognized deferred tax assets of RMB4,502,920,000 (as at 31 December 2016: RMB4,358,008,000) in consolidated balance sheet. In cases where the actual future profits generated is less than estimated and where the actual tax rate is lower than estimated, a material reversal of deferred tax assets may arise, which will be recognized in the income statement in the period in which such a reversal takes place. As at 30 June 2017, the Group has an unrecognized deductible tax losses of RMB15,825,666,000 (as at 31 December 2016: RMB21,295,081,000), and an unrecognized deductible temporary differences of RMB5,161,148,000 (as at 31 December 2016: RMB4,797,369,000), not recognized as deferred income tax assets since the Group is uncertain about recoverable period of deductible tax losses and deductible temporary differences. In cases where the actual future profits generated are greater than estimates and where the actual tax rate is higher than estimates, an adjustment of deferred tax assets may arise, which will be recognized in the income statement in the period in which such an adjustment takes place.

(f) Retirement benefits

The Group establishes liabilities in connection with supplementary benefits paid to certain retired employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions on discount rates, salary growth rates during retirement, medical expense growth rates, and other factors. Actual results that differ from the assumptions are recognized immediately and therefore affect recognized other comprehensive income in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the other comprehensive income and balance of liabilities related to the supplementary employee retirement benefit obligations.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Content and Reason of Changes in Accounting Policies	Examination and Approval Procedures	Remarks
<p>The Group adopted the CASBE No. 16-Government grants (revised) and CASBE No. 42- Non-current assets, disposal group and discontinuing operation held for sale, which were newly revised or issued by the MOF in the current period.</p> <p>In accordance with the CASBE No. 16-Government grants (revised), the Group used prospective application approach to account for the government grants existing on 1 January 2017. Since 1 January 2017, the accounting treatments are set out in Note V25:</p>		
<p>(i) Government grants of the Group related to routine activities are used to offset with the related costs and expenses according to the economic nature of business, no longer included in non-operating income.</p>		
<p>(ii) For the interest subsidy received by the Group under preferential low-interest loans, when the government finance authority allocates interest subsidy fund to the bank which thereafter issues loans to the Group at preferential low-interest rates, the Group recognizes such borrowing at the amount actually received and calculates the borrowing costs based on the principal and the preferential low-interest rates. However, when the government finance authority allocates the interest subsidy fund to the Group directly, the Group deducts the interest subsidy from related borrowing costs.</p>	N/A	N/A
<p>The revision of the CASBE No. 16 has no significant impact on the Group's financial statements.</p> <p>The issuance of the CASBE No. 42 has no significant impact on the Group's financial statements.</p>		

(2) Changes in significant accounting estimates

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

VI. TAXATION

1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	VAT payable(VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current period)	3%, 5%, 6%, 11%, 13% and 17%
City maintenance and construction tax ("CCT")	Value-added tax and consumption tax	1%, 5%, 7%
Education surcharges	Value-added tax 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%

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

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

Subject of tax payment	Enterprise income tax rate
China Enfi Congo (DRC) Co. Ltd.	40%
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
MCC International Venezuelan Ltd.	34%
MCC-CISDI India Ltd.	34%
China Enfi (Namibia) Ltd.	33%
Wuhan Surveying Geotechnical Research Institute Co.,Ecuador Ltd. of MCC	33%
China Metallurgical Co., Ltd.	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	33%
China 19th Metallurgical Corporation Namibia Limited	33%
China First Metallurgical India (Private) Ltd.	32.45%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Australia (Brisbane) Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
China First Metallurgical Construction Malaysia Co., Ltd.	28%
China Enfi (Chile) SAS	25.5%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Malaysia Construction Engineering Co., Ltd.	24%
Shanghai Baoye (Malaysia) Co., Ltd.	24%
CCEPC Malaysia BHD	24%
MCC-CISDI Engenharia do Brisa Ltd.	20%
MCC Tian Gong (Kuampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Tailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
China Metallurgical International (Kampuchea) Co., Ltd.	20%
Shanghai Baoye (Kampuchea) Co., Ltd.	20%
China Nineteen Metallurgical Group Vietnam Co., Ltd.	20%

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%
Hong Kong Nan Hua International Engineering Ltd.	16.5%
Xiong Hui Investment Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	16.5%
Chinese Metallurgical Engineering Technology (Hong Kong) Co., Ltd.	16.5%
MCC-CISDI Engenharia do Brisa Ltd.	16.38%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Operation Co., Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	10%
MCC Indonesia Construction Co., Ltd.	3%
MCC Huaye Duda Mining Co., Ltd.	0%
MCC Ramu NiCo Ltd.	0%
Ramu NiCo Management (MCC) Ltd.	0%
MCC Tongsin Resources Ltd.	0%
MCC JCL Anak Mining Co., Ltd.	0%
China Metallurgical Group Duda Mining Development Co., Ltd.	0%
China Metallurgical Group Resources Development Co., Ltd.	0%
China Metallurgical New Energy (Pakistan) Limited	0%

VI. TAXATION (Continued)

2. Tax incentive

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

According to the Circular of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Preferential Tax Policies for the Development of the Western Regions (“Caishui [2001] No.202”), Guoshui [2002] No.47 and Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (“Caishui [2011] No.58”)(hereinafter referred to as the “circular”), a series of tax policies to further support the development of the western region are made clear. The above circular had been implemented since 1 January 2011. From 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region engaging in those industries with tax incentive. According to the regulation, the following subsidiaries of the Company were approved by the local tax bureau to enjoy preferential tax policies for the development of the western regions, and they need to submit application for applying relevant tax incentive every year:

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- (c) Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Engineering Co., Ltd., Chongqing CISDI Metallurgical Equipment Systems Research Center and Integrated Engineering Technology Co., Ltd., Chongqing CISDI Heavy Industry Equipment Co., Ltd. and MCC Xi’an Electric Furnace Institute Co., Ltd. have been levied at a preferential tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., China Metallurgical Construction Engineering Group Chongqing Steel Structure Co., Ltd. and China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2020.
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2020.
- (f) MCC Chongqing Real Estate Development Co., Ltd., China Metallurgical Construction Engineering (Ningxia) Co., Ltd. and CISDI Chongqing Environmental Consulting 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) Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Seric Graphic Mdt Info Tech Ltd., CERI Long Product Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., CERI Eco Technology Co., Ltd., CERI Technology Co., Ltd., MCC Capital Engineering & Research Incorporation Limited, CERI Manufacturing Executive & Managing System Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., and Hunan Changtian Automation Co., Ltd. have been levied at a preferential tax rate of 15% from 2014 to 2017.
- (b) Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC., China ENFI Engineering Corporation, MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technology Services Co., Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai MCC 20 Group Co., Ltd., 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 Corporation Ltd., China MCC 19 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., China silicon Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, MCC (Beijing) Transportation Science and Technology Development Co., Ltd., CCTEC Engineering Co., Ltd., Beijing Jinwei Soldering Material Co., Ltd., CISDI Engineering Co., Ltd. Maanshan MCC 17 Engineering Science & Technology Co., Ltd., CERI Colin Environmental Protection Technology Co., Ltd., MCC Capital (Qinhuangdao) Engineering & Research Incorporation Limited, and CERI(Yangzhou) Machinery Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2017.
- (c) Beijing Tieforce Drive Machine Co., Ltd., CISDI Electrics Technology Co., Ltd., Beijing Sida Jian Mao Science and Technology Development Co., Ltd., Northern Engineering & Technology Corporation, MCC (Dalian), ACRE Coking & Refractory Engineering Consulting (Dalian) Corporation, WISDRI Wuhan Steel Design & Research Co., Ltd., WISDRI Handan Wupeng Furnace lining New Material Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., BERIS Engineering and Research Co., Ltd., MCC Energy Conservation Environmental Protection Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Metallurgical Construction Research Institute (Shenzhen) Co., Ltd. and MCC TianGong Group Corporation Limited, China MCC 20 Group Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2016 to 2018.

VI. TAXATION (Continued)

2. Tax incentive (Continued)

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

- (d) Shanghai Baoye Engineering Technology Corp., Ltd., Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 5 Group Co., Ltd., Wuhan Huaxia Fine-blanking Technology Co., Ltd., China First Metallurgical Group Co., Ltd., Beijing Enfi Environmental Protection Co., Ltd., Beijing Enfi Environmental Protection Technology Co., Ltd., MCC Huatian Engineering & Technology (Nanjing) Co., Ltd., Huatian Engineering & Technology Corporation, MCC, Nan Jing Industrial Furnace Co., Ltd., MCC Communication Construction Group Co., Ltd. WISDRI (Wuhan) Automation Co., Ltd., WISDRI (WUHAN) Weishi Thermotechnology Co., Ltd., WISDRI Engineering & Research Incorporation Limited, China City Environment Protection Engineering Limited Company, WISDRI (Wuhan) Informatology Engineering Co., Ltd., Shen Kan Engineering & Technology Corporation, MCC, and Central Research Institute of Building and Construction Co., Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2019.

(3) The other major preferential tax benefits

- (a) According to the relevant regulation of the preferential tax policies about the projects of environmental protection in clause 88 of Chapter IV of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, the Order of the President of the People's Republic of China ("[2007] No.63") and the Order of the State Council No.512:

Companies including Lanzhou Zhongtuo Water Corporation, Liuan Water Corporation MCC, Maanshan Water Corporation, MCC, Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., MCC Xuancheng Water Co., Ltd., Enfi New Energy (Zhongwei) Co., Ltd., MCC Changle Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. 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 Lanzhou Zhongtuo Water Corporation and Enfi New Energy (Zhongwei) Co., Ltd. has come into effect in 2012, the applicable tax rate for the current period was 12.5%. The preferential policy of Liuan Water Corporation MCC and Maanshan Water Corporation, MCC has come into effect in 2014 and the applicable tax rate for the current period was 12.5%. The preferential policy of Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd. and MCC Xuancheng Water Co., Ltd., has come into effect in 2015 and the applicable tax rate for the current period was 0%. MCC Changle Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd., have come into effect in 2016 and the applicable tax rate for the current period was 0%.

VI. TAXATION *(Continued)*

2. Tax incentive *(Continued)*

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

- (b) According to the Item 3 of Article 27 of the Law of the People's Republic of China on Enterprise Income Tax as well as Article 87 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, following examination and approval by the tax authorities, Enfi New Energy (Zhongwei) Co., Ltd. enjoys the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax 50%-reduction" and Preferential Tax Policies for High-Technology Enterprises from 2012. In the current period, the applicable tax rate of Enfi New Energy (Zhongwei) Co., Ltd. was 7.5%.

Xiangyang Enfi Environmental Protection Energy Co., Ltd. enjoys the favorable corporate income tax policy of "three-year tax exemption followed by three-year tax 50%-reduction" from 2012 and the applicable tax rate for the current period was 12.5%. In addition, 10% of the investment amount of the specific equipment for energy conservation and environmental protection purchased by the company can be claimed tax credit deducted from the tax payable for the year and can also be carried forward in the next 5 tax years if the tax payable amount is not fully deducted for the tax credit. The preferential tax period is from 2014 to 2018.

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 Ministry of Finance and the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry ("Caishui [2010] No.110"), qualified energy conservation service companies implementing energy management contract projects that meet the relevant provisions of the Enterprise Income Tax Law shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from their production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

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

MCC Central Research Institute of Jilin and Construction Property Management Co., Ltd., Tianjin Weishi Engineering Detection Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Xi'an China Metallurgical new material Co., Ltd., Dalian China Metallurgical jiaonai dragon Instrument Co. Ltd., Tianjin Sino Thai Property Management Co., Ltd. and Chongqing Tuoye Construction Engineering Quality Inspection Co., Ltd. met the standards of Small and Low-Profit Enterprises in 2017, enjoyed 50% reduction of income tax and their applicable enterprises income tax rate was 20%.

Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Jingqiu Energy saving Technology Development Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Shanghai Baoye Steel Structure Co., Ltd., Nanjing Meiye Mechanical and Electrical Equipment Co., Ltd., Shanghai Yejian Ke'ao high temperature materials Co., Ltd. and Chongqing MCC Property Management Co., Ltd. met the standards of Small and Low-Profit Enterprises from 2015 to 2017, enjoyed 50% reduction of income tax and their applicable enterprises income tax rate was 20%.

- (e) According to the circular "Guoshui [2009]185" on the issue of enterprise income tax preferential management of the comprehensive utilization of resources' and "Caishui[2008]117" enterprise income tax directory of comprehensive utilization of resources (2008 Edition)", from 1 January 2008, enterprises use these resources as raw material for the production of non-restricted and non-prohibited products which are in line with national and industry standard products, their income is reduced to 90% included in the total taxable revenue for that year.

China City Environment Protection Engineering Limited Company enjoyed the aforesaid preferential policy in 2017.

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

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd., Tianjin MCC 20 Group Co., Ltd. and China MCC 20 Group Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2017.

VI. TAXATION (Continued)

2. Tax incentive (Continued)

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

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

BERIS Engineering and Research Co., Ltd, MCC Baosteel Technology Services Co., Ltd., Shanghai Baoye Industry Technology Service Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., Panzhihua Tianyu Engineering Detection Co., Ltd., Tianjin MCC 20 Group Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 5 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China First Metallurgical Group Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., Wuhan Huaxia Fine-blanking Technology Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Huatian Engineering & Technology(Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI(Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering & Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd., China City Environment Protection Engineering Co., Ltd., CCTEC Engineering Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., CISDI Electrics Technology Co., Ltd., Beijing Tieforce Drive Machine Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. and MCC Hunan Changtian Energy-saving, Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai Baoye Group Corp., Ltd., and Shanghai MCC Environmental Engineering Technology Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2017.

- (h) According to "Caishui[2015]78", The Ministry of Finance and the State Administration of Taxation on issuing the notice of the comprehensive utilization of resources "products and services" of value added tax preferential directory, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Corporation, Changzhou Enfi Water Co., Ltd., Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, Maanshan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., MCC Changle Water Co., Ltd., MCC Xinglong Water Co., Ltd., MCC Qinhuangdao Water Co., Ltd., China City Environment Protection Engineering Limited Company, Wenxian Zhongtuo Water Co., Ltd., and Qinhuangdao Funing District MCC Water 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.

VI. TAXATION (Continued)

2. Tax incentive (Continued)

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

- (i) According to the Ministry of Finance and the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry (“Caishui [2010] No.110”), the taxable 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.

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

- (k) According to the Ministry of Finance and the State Administration of Taxation on issues concerning Value-added Tax Policy on Software Products (“Caishui [2011] No.100”), the refund-upon-collection policy shall be applied to the VAT part in excess of 3% of their actual tax burden of selling software products.

CISDI Group Chongqing Information and Technology Co., Ltd. enjoyed the policy of “levy and refund” of value-added tax of selling software products from 2015 to 2019, with the refund rate of 14%. CISDI Electrics Technology Co., Ltd. enjoyed the policy of “levy and refund” of value-added tax of selling software products for long-term, with the refund rate of 14%.

- (l) According to the State Administration of Taxation, No. [2013]37, the technology development business income of MCC Xi'an Electric Furnace Institute Co., Ltd. and Beijing Enfi Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2017. The income derived from the operations of technology transfers of Zhong Ye Chang Tian International Engineering Co., Ltd. was exempted from the value-added tax in 2017. The income derived from the operations of technology transfers and the technology development business of Huatian Engineering & Technology Corporation, MCC, was exempted from value-added tax in 2017.

- (m) According to the “Caishui [2016] No.94” issued by the Ministry of Finance and the State Administration of Taxation, the income derived from providing heating services to residents of MCC Real Estate Service Co., Ltd. was exempted from value-added tax during 2016 to 2018.

- (n) According to the “Caishui [2010] No.42” issued by the Ministry of Finance and the State Administration of Taxation, Wuhu MCC Real Estate Group Co., Ltd. enjoyed the exemption from land use tax (the annual amounts of land-use tax per square meter is RMB12-15 before), and the property transfer book was exempted from stamp duty in 2017. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax.

- (o) According to the “Caishui [2013] No.101” issued by the Ministry of Finance and the State Administration of Taxation, China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from Local education surcharge and stamp duty in 2017.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	24,038	24,201
RMB	12,905	11,908
USD	2,210	1,727
EUR	131	137
AUD	219	99
HKD	163	172
Others	8,410	10,158
Bank deposits	33,110,259	36,613,768
RMB	26,448,194	30,036,304
USD	4,457,594	5,042,544
EUR	95,944	53,966
AUD	272,269	268,048
HKD	51,684	35,168
Others	1,784,574	1,177,738
Other cash and bank balances	7,299,200	8,225,421
RMB	7,152,189	8,118,234
USD	91,596	57,803
EUR	3,180	4,497
AUD	1,563	3,010
Others	50,672	41,877
Total	40,433,497	44,863,390
Including: Total amount of deposits abroad	2,442,313	2,452,056

As at 30 June 2017, restricted cash and bank balances was RMB5,013,206,000 (as at 31 December 2016: RMB6,151,479,000)(in Note VII64), mainly including deposits for issuing bills of RMB2,652,655,000(as at 31 December 2016: RMB2,764,374,000), statutory deposit reserve of RMB1,056,898,000(as at 31 December 2016: RMB1,045,751,000), guarantee deposits of RMB402,217,000(as at 31 December 2016: RMB450,775,000, and frozen deposits of RMB199,502,000(as at 31 December 2016: RMB218,911,000) etc.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. Financial assets at fair value through profit or loss

All amounts in RMB'000

Items	Closing balance	Opening balance
Held-for-trading financial assets	910	1,044
Including: Equity instruments	910	1,044
Total	910	1,044

The fair values of held-for-trading financial assets are based on their prices of publicly traded market on the last trading day of the reporting period.

3. Bills receivable

(1) Bills receivable analysed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	7,390,077	4,775,354
Commercial acceptance bills	8,364,307	11,251,601
Total	15,754,384	16,026,955

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

All amounts in RMB'000

Items	Amount
Bank acceptance bills	346,047
Total	346,047

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Bills receivable (Continued)

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

As at 30 June 2017, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB6,009,369,000 (as at 31 December 2016: RMB7,147,984,000), among which the amount derecognized was RMB5,556,472,000 (as at 31 December 2016: RMB4,942,097,000). The Group is of the view that the risk of not honoring the bills by the issuers upon maturity is remote if the issuers have good credibility, substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred, the Group derecognized these bills receivable from the financial statements. The amount not derecognized was RMB452,897,000 (as at 31 December 2016: RMB2,205,887,000). The Group is of the view that the Group retains nearly all of the risks and rewards of ownership of the above endorsed and discounted bills receivable, including default risk, the Group didn't derecognized these bills receivable from the financial statements.

(4) Bills receivable with title restriction as at 30 June 2017 are set out in Note VII64.

4. Accounts receivable

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

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	45,272,020	44,974,143
1 to 2 years	14,399,806	15,301,715
2 to 3 years	8,785,657	8,954,013
3 to 4 years	5,095,065	5,516,862
4 to 5 years	3,530,632	3,730,131
Over 5 years	4,841,416	3,201,818
Total book value	81,924,596	81,678,682
Less: provisions for bad debts	12,517,187	12,134,040
Carrying amount	69,407,409	69,544,642

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

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually(a)	6,210,452	7.58	2,680,623	43.16	3,529,829	6,313,520	7.73	2,431,835	38.52	3,881,685
Subject to provision by portfolios with credit risk characteristics	73,795,385	/	8,617,826	/	65,177,559	73,493,850	/	8,413,587	/	65,080,263
Group1(b)	56,298,553	68.72	8,617,826	15.31	47,680,727	54,723,925	67.00	8,413,587	15.37	46,310,338
Group2	17,496,832	21.36	-	-	17,496,832	18,769,925	22.98	-	-	18,769,925
Accounts receivable which are individually insignificant but subject to provision individually	1,918,759	2.34	1,218,738	63.52	700,021	1,871,312	2.29	1,288,618	68.86	582,694
Total	81,924,596	/	12,517,187	/	69,407,409	81,678,682	/	12,134,040	/	69,544,642

(a) Analysis of accounts receivable which are individually significant and individually subject to provision for bad debts at the end of the period

All amounts in RMB'000

Accounts receivable (per entity)	Closing balance			Reasons
	Book value	Provision for bad debts	Proportion of provision (%)	
Party 1	1,181,012	120,077	10.17	Discounted amount of future cash flows is less than the original book value
Party 2	1,045,012	562,770	53.85	
Party 3	578,767	289,383	50.00	
Party 4	513,842	326,802	63.60	
Party 5	450,961	161,877	35.90	
Others	2,440,858	1,219,714	49.97	
Total	6,210,452	2,680,623	/	/

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

(b) In Group 1, aging analysis of accounts receivable which are subject to provision for bad debts

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	35,306,809	1,765,340	5.00	33,750,437	1,687,522	5.00
1 to 2 years	10,333,718	1,033,372	10.00	10,358,899	1,035,890	10.00
2 to 3 years	4,413,319	1,323,996	30.00	4,721,036	1,416,311	30.00
3 to 4 years	2,977,817	1,488,909	50.00	2,719,267	1,359,634	50.00
4 to 5 years	1,303,404	1,042,723	80.00	1,300,276	1,040,221	80.00
Over 5 years	1,963,486	1,963,486	100.00	1,874,010	1,874,009	100.00
Total	56,298,553	8,617,826	15.31	54,723,925	8,413,587	15.37

(3) Provision for bad debts for the current period was RMB394,136,000, recovered or reversed bad debts were RMB1,863,000.

(4) Accounts receivable written off for the current period were RMB7,923,000.

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

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the year
Party 1	Third Party	3,374,378	4.12	435,444
Party 2	Third Party	1,867,013	2.28	772,145
Party 3	Third Party	1,620,297	1.98	—
Party 4	Third Party	1,283,996	1.57	325,768
Party 5	Third Party	1,206,975	1.47	139,621
Total	/	9,352,659	11.42	1,672,978

(6) As at 30 June 2017, the Group had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2016: nil).

(7) Accounts receivable with title restriction as at 30 June 2017 are set out in Note VII64.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments

(1) Aging analysis of prepayments

All amounts in RMB'000

Aging	Closing balance As a percentage of total prepayments (%)		Opening balance As a percentage of total prepayments (%)	
	Amount		Amount	
Within 1 year	20,069,235	79.43	7,764,242	57.85
1 to 2 years	2,000,811	7.92	2,677,573	19.95
2 to 3 years	1,373,708	5.44	1,268,474	9.45
Over 3 years	1,824,147	7.21	1,710,769	12.75
Total	25,267,901	100.00	13,421,058	100.00

As at 30 June 2017, prepayments aged over one year were RMB5,198,666,000 (as at 31 December 2016: RMB5,656,816,000), mainly including prepaid land lease payments and prepaid construction costs.

(2) The five largest prepayments at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total prepayments (%)
Party 1	Third party	4,140,000	16.39
Party 2	Third party	3,199,777	12.67
Party 3	Third party	1,716,926	6.79
Party 4	Third party	611,072	2.42
Party 5	Third party	504,000	1.99
Total	/	10,171,775	40.26

6. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests on term deposits	21,050	26,666
Total	21,050	26,666

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

The name of investee	Closing balance	Opening balance
Ningcheng County HongDa Mining Co., Ltd.	51,827	–
Tianjin Tuanbo Urban Development Co., Ltd.	18,000	18,000
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	17,097
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	11,560	11,560
Wuhan Zhonghe Engineering Technique Co., Ltd.	680	–
Bank of Communications Co., Ltd.	–	70
Total original carrying amount	99,164	46,727
Less: Bad debt provision	51,827	–
Carrying amount	47,337	46,727

(2) As at 30 June 2017, dividends receivable aged over one year book value were RMB46,657,000.

8. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	23,787,197	18,996,123
1 to 2 years	8,772,883	8,259,895
2 to 3 years	3,415,316	3,787,880
3 to 4 years	1,685,444	1,627,409
4 to 5 years	1,132,760	741,260
Over 5 years	1,021,307	995,427
Total book value	39,814,907	34,407,994
Less: provisions for bad debts	3,190,271	2,998,039
Carrying amount	36,624,636	31,409,955

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually (a)	3,053,278	7.67	1,042,468	34.14	2,010,810	2,544,423	7.39	993,833	39.06	1,550,590
Subject to provision by portfolios with credit risk characteristics	36,287,733	/	1,762,130	/	34,525,603	31,001,476	/	1,556,909	/	29,444,567
Group1 (b)	8,550,448	21.48	1,762,130	20.61	6,788,318	6,303,731	18.32	1,556,909	24.70	4,746,822
Group2	27,737,285	69.67	-	-	27,737,285	24,697,745	71.78	-	-	24,697,745
Other receivables which are individually insignificant but subject to provision individually	473,896	1.18	385,673	81.38	88,223	862,095	2.51	447,297	51.88	414,798
Total	39,814,907	/	3,190,271	/	36,624,636	34,407,994	/	2,998,039	/	31,409,955

(a) Analysis of other receivables which are individually significant and individually subject to provision for bad debts at the end of the period

All amounts in RMB'000

Other receivables (per entity)	Closing balance			Reasons
	Book value	Provision for bad debts	Proportion of provision (%)	
Party 1	1,495,077	386,025	25.82	Discounted amount of future cash flows is less than the original book value.
Party 2	377,172	94,293	25.00	
Party 3	262,050	25,205	9.62	
Party 4	195,844	195,844	100.00	
Party 5	192,892	17,531	9.09	
Others	530,243	323,570	61.02	
Total	3,053,278	1,042,468	/ /	

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

(b) In Group 1, aging analysis of other receivables which are subject to provision for bad debts

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of other receivables	Provision for bad debts	Proportion of provision (%)	Book value of other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	4,581,807	229,090	5.00	3,255,906	162,795	5.00
1 to 2 years	1,668,848	166,885	10.00	832,061	83,206	10.00
2 to 3 years	757,195	227,158	30.00	785,117	235,534	30.00
3 to 4 years	749,702	374,851	50.00	669,193	334,597	50.00
4 to 5 years	143,752	115,002	80.00	103,387	82,710	80.00
Over 5 years	649,144	649,144	100.00	658,067	658,067	100.00
Total	8,550,448	1,762,130	20.61	6,303,731	1,556,909	24.70

(3) Provision for bad debts for the current period was RMB288,507,000, Recovery or reversal of bad debts for the current period was RMB95,613,000.

(4) Other receivables written off for the current period were RMB340,000.

(5) Other receivables categorised by nature

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	25,870,079	20,950,115
Loan receivables from related parties and third parties	5,666,784	5,575,828
Advance to employees	675,377	605,241
Receivables on disposal of investments	3,489,377	3,496,106
Others	4,113,290	3,780,704
Total	39,814,907	34,407,994

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

(6) 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	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the year
Party 1	Third party	Deposit	4,556,740	Within 1 year	11.44	–
Party 2	Third party	Equity transfer consideration to be recovered	2,542,943	Within 4 years	6.39	–
Party 3	Joint venture	Loans to related parties	1,638,366	Within 1 year	4.11	–
Party 4	Associate	Loans to related parties	1,495,077	Within 3 years	3.76	386,025
Party 5	Third party	Deposit	611,119	Within 1 year	1.54	–
Total	/	/	10,844,245	/	27.24	386,025

(7) As at 30 June 2017, the Group had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2016: nil).

9. Inventories

(1) Categories

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	2,341,446	53,376	2,288,070	2,108,675	42,985	2,065,690
Materials procurement	86,465	–	86,465	82,972	–	82,972
Outsourced processing materials	62,966	–	62,966	73,396	–	73,396
Work in progress	2,505,362	2,948	2,502,414	2,330,806	7,689	2,323,117
Finished goods	2,348,572	119,397	2,229,175	2,219,413	130,692	2,088,721
Other materials	431,037	8,451	422,586	433,515	8,440	425,075
Gross amount due from contract customers	71,960,095	1,619,854	70,340,241	63,020,495	1,597,993	61,422,502
Properties under development (a)	42,493,794	188,860	42,304,934	43,817,341	188,860	43,628,481
Completed properties held for sale (b)	10,540,203	33,165	10,507,038	10,150,430	69,289	10,081,141
Total	132,769,940	2,026,051	130,743,889	124,237,043	2,045,948	122,191,095

Note: Inventories with title restriction are set out in Note VII64.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	Opening balance	Closing balance
Nanjing Xiaguanbin River Project	2011-01-01	2020-04-30	17,617,039	10,484,513	10,942,603
Tianjin Xinbadali District Qixianli Project	2014-12-25	2018-05-31	6,375,700	5,237,063	3,546,234
Brazil Fluctuation Apartment Project	2015-06-30	2018-12-31	3,686,040	2,939,137	3,219,848
MCC Tongluo Town (Original name: Chongqing Tieshanping Project)	2014-11-01	2020-12-31	3,500,000	1,931,281	2,003,439
Tangshan Fengrun Gengyang New City Project	2010-03-01	2020-12-31	10,550,000	1,255,828	1,897,613
MCC 39 Street Project	2017-05-15	2023-12-31	2,639,749	1,411,206	1,788,270
Singapore Tampines Apartment Project Block D	2015-10-01	2019-11-30	2,008,581	1,344,294	1,469,151
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2013-09-13	2017-12-31	5,082,000	1,583,029	1,452,703
Qin Hai Yun Villa Project	2011-08-08	2018-12-31	4,400,000	1,688,219	1,410,014
Baotou MCC Campus South Road Community Project	2011-08-01	2019-12-31	4,100,000	1,262,321	1,347,345
MCC Port Base Project	2015-03-01	2018-12-31	4,600,000	1,137,905	1,224,308
Tampines No.10 Project in Singapore	2013-10-16	2018-10-16	2,755,922	2,092,215	926,170
Guangdong, Zhuhai, Hengqin New City Headquarters building II	2016-12-01	2019-11-30	10,393,700	752,889	831,829
Hong Kong Quanwan Project	2013-12-06	2017-12-31	1,158,560	658,570	721,591
MCC Mengxianghui Plaza	2015-04-05	2017-10-21	945,700	702,426	710,613
Heilongjiang, Qiqihar, MCC, Binjiang International Town Project I	2010-10-16	2018-10-15	1,617,820	627,589	645,696
MCC Shanghe Residence Project	2014-06-20	2017-12-31	867,232	521,904	548,963
MCC: Riverside Project I & II	2013-12-31	2019-12-31	800,000	420,700	420,700
Hebei, Qinhuangdao, Yudaiwan Project	2008-12-23	2019-12-31	3,675,070	393,055	410,435
Zhenjiang Yucui Garden Project	2014-06-01	2019-06-30	1,200,000	430,298	410,350
Shanxi Taiyuan North Street Liuxi Gardan Project	2008-03-01	2017-12-31	1,302,263	372,508	390,212
MCC South International Community	2014-01-01	2018-12-31	1,400,000	237,433	348,133
Shade Garden (originally known as Tangshan MCC Phoenix City)	2013-09-01	2017-12-31	600,000	334,459	346,320
Shanghai Jinshan District - MCC Fengjunyuan Project II	2015-12-31	2017-12-31	517,955	331,929	343,287
Taihang Street Project	2010-04-01	2017-12-31	2,672,858	314,663	314,663
MCC Shanghewan Project	2015-05-01	2018-05-01	681,750	270,638	302,394
Hubei Huangshi- MCC Huangshi Garden Project II	2015-01-01	2018-12-31	1,351,899	422,851	287,590
Chongqing, Dadukou, MCC International City	2011-12-01	2017-12-31	1,380,000	239,452	259,869
Changchun Blue City Project of MCC South International Community	2011-04-01	2017-12-31	1,060,000	188,708	248,082
Zhenjiang Zhongye Blue Bay (Zhenjiang Zhongye Blue City Project)	2011-06-03	2017-12-31	1,939,540	245,261	240,543
Zhongding Yuecheng of Maanshan	2011-09-08	2018-12-31	1,500,000	221,843	221,843
Holiday Resort of Baizhi Mountain of MCC	2014-04-01	2024-04-01	4,000,000	233,108	201,738
Others	/	/	67,081,047	3,530,046	3,061,245
Total	/	/	173,460,425	43,817,341	42,493,794

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(1) Categories (Continued)

(b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Project completion date	Opening balance	Increase	Decrease	Closing balance
Heilongjiang, Qiqihar, MCC, Binjiang International Town Project I	2015-12-18	763,359	-	35,452	727,907
Qin Hai Yun Villa Project	2017-05-01	395,139	391,085	76,159	710,065
Tianjin Xin Badali District Qixianli Project	2017-03-30	-	2,049,417	1,374,369	675,048
Dalian International Business City	2014-12-31	682,722	-	57,391	625,331
Tangshan, Wutong Road Project	2012-10-31	497,560	1,352	25,905	473,007
Heilongjiang, Qiqihar, Longsha District New Century Plaza Project	2013-12-30	415,204	43,859	6,180	452,883
Chongqing Dadukou MCC City International Project	2016-12-31	533,549	-	93,565	439,984
Zhenjiang Zhongye Blue Bay(Zhenjiang Zhongye Blue City Project)	2016-12-31	518,462	-	130,489	387,973
Shaoxing MCC Chinese Parasol Garden III	2015-06-30	405,963	2,463	52,211	356,215
Baotou MCC Campus South Road Community Project	2017-05-01	353,236	168,792	174,789	347,239
Xi'an chang'an MCC Dadu Phase 2	2017-03-03	79,017	750,498	492,303	337,212
Anshan Yuluanwan Project II	2014-10-30	312,833	-	10,689	302,144
Guangdong, Zhuhai, Hengqin New City Headquarters building I	2016-06-30	281,202	-	9,206	271,996
Maanshan Zhongding Yue City	2015-12-31	369,210	-	107,572	261,638
Anshan Yuluanwan Project III	2016-12-31	264,038	-	6,935	257,103
Tangshan Heliangongfang District Rebuilding Project	2012-06-30	220,099	-	-	220,099
Chongqing MCC Chongqing Morning Project	2012-12-28	215,180	-	3,107	212,073
Xi'an MCC Chang'an City Project I	2013-12-25	261,102	-	50,937	210,165
Others	/	3,582,555	2,821,991	3,132,425	3,272,121
Total	/	10,150,430	6,229,457	5,839,684	10,540,203

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

Items	Opening balance	Increase		Decrease			Closing balance
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	42,985	10,391	-	-	-	-	53,376
Work in progress	7,689	-	-	-	4,741	-	2,948
Finished goods	130,692	47,030	-	7,404	50,921	-	119,397
Other materials	8,440	11	-	-	-	-	8,451
Gross amount due from contract customers	1,597,993	25,266	-	-	3,405	-	1,619,854
Properties under development	188,860	-	-	-	-	-	188,860
Completed properties held for sale	69,289	960	-	-	37,084	-	33,165
Total	2,045,948	83,658	-	7,404	96,151	-	2,026,051

- (3) As at 30 June 2017, the total borrowing costs capitalized in properties under development were RMB5,215,048,000 (as at 31 December 2016: RMB4,967,166,000). Borrowing costs capitalized during the period ended 30 June 2017 amounted to RMB709,489,000 (for the period ended 30 June 2016: RMB663,946,000). The capitalization rates of borrowing costs were from 2.30% to 6.15% (for the period ended 30 June 2016: from 2.75% to 6.86%).

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

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	754,415,712
Recognized profits to date	58,899,655
Less: Estimated loss	1,619,854
Accumulated settlements	741,355,272
Gross amount due from contract customers	70,340,241

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. Inventories *(Continued)*

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

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

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

Up to 30 June 2017, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. Based on the assessment of the project costs, the Group is of the view that the previous estimation of project construction costs made at the end of 2012 should not have any significant change. Hence, as at 30 June 2017, the Group did not make any adjustment on the provision for loss of the project.

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

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Non-current assets due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long term receivables due within one year (Note VII13)	3,636,690	3,745,636
Total	3,636,690	3,745,636

11. Other current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
VAT debit balance	1,661,269	918,292
Prepayment of enterprise income taxes	667,475	579,076
Total	2,328,744	1,497,368

12. Available-for-sale financial assets

(1) Available-for-sale financial assets

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments:	1,659,837	97,752	1,562,085	1,668,422	97,752	1,570,670
- Measured at fair value	427,599	-	427,599	436,594	-	436,594
- Measured at cost	1,232,238	97,752	1,134,486	1,231,828	97,752	1,134,076
Investment in private funds	1,506,305	-	1,506,305	1,094,900	-	1,094,900
Total	3,166,142	97,752	3,068,390	2,763,322	97,752	2,665,570

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(2) Available-for-sale financial assets measured at fair value at the end of the period

All amounts in RMB'000

Category	Available-for-sale equity instruments	Investment in private funds	Total
Cost/carrying cost	111,822	1,506,305	1,618,127
Fair value	427,599	1,506,305	1,933,904
Cumulative fair value changes included in other comprehensive income	315,777	–	315,777
Accumulated impairment amount	–	–	–

The carrying amount of the available-for-sale equity instruments measured at fair value above has been adjusted based on their fair value at the balance sheet date. The fair value is determined by their closing price provided by the stock exchanges at the last trading day of the reporting period.

(3) Available-for-sale equity instruments measured at cost at the end of the period

All amounts in RMB'000

Company name	Book value			Closing balance	Provision for impairment			Closing balance	Percentage of shareholding in the investee (%)	Cash dividends
	Opening balance	Increase	Decrease		Opening balance	Increase	Decrease			
Tangshan Stainless steel Co., Ltd. (Note IX3(1)(a)(ii))	645,000	–	–	645,000	–	–	–	–	23.89	–
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	80,000	–	–	80,000	–	–	–	–	14.45	–
China Overseas Infrastructure Development Investment Co., Ltd.	64,882	–	–	64,882	–	–	–	–	3.85	–
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd. (Note IX3(1)(a)(ii))	48,000	–	–	48,000	48,000	–	–	48,000	20.00	–
Yunnan Panxing Real Estate Development Co., Ltd.	30,000	–	–	30,000	–	–	–	–	10.00	–
Great Wall Life Insurance Co., Ltd.	30,000	–	–	30,000	–	–	–	–	1.28	–
Jidong Cement Luanxian Co., Ltd.	29,705	–	–	29,705	–	–	–	–	6.74	–
Hankou Bank Co., Ltd.	27,696	–	–	27,696	–	–	–	–	0.74	–
Kunming Hai Chen Investment Co., Ltd.	22,500	–	–	22,500	–	–	–	–	15.00	–
Shanxi Sanjin Mining Holdings Co., Ltd. (Note IX3(1)(a)(ii))	20,000	–	–	20,000	–	–	–	–	20.00	–
Others	234,045	410	–	234,455	49,752	–	–	49,752	/	3,201
Total	1,231,828	410	–	1,232,238	97,752	–	–	97,752	/	3,201

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(4) Provision for impairment

All amounts in RMB'000

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

- (5) During the current accounting period, the Group had no available-for-sale financial assets having significant or prolonged decline in fair value but no impairment provision was made.

13. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Range of discount rate
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Receivables on project	14,776,611	691,658	14,084,953	12,660,112	231,373	12,428,739	
Receivables on disposal of equity investments	333,485	-	333,485	333,485	-	333,485	4.35%-6.15%
Others (a)	2,030,136	-	2,030,136	2,260,570	-	2,260,570	
Total	17,140,232	691,658	16,448,574	15,254,167	231,373	15,022,794	/
Including: Long term receivables due within one year	3,649,485	12,795	3,636,690	3,749,393	3,757	3,745,636	/
Long term receivables due over one year	13,490,747	678,863	12,811,884	11,504,774	227,616	11,277,158	/

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Long-term receivables *(Continued)*

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

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

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

In 2015, the PNG Parties informed Ramu NiCo that they would acquire 15% beneficial interests in the Project, effective from 1 January 2015. The two parties agreed the historical project development costs borne by the PNG Parties would be USD190 million, which was accounted for as long-term receivables by the Group, and the construction costs of the Project reduced by the same amount correspondingly. This payment would be settled by the PNG Parties to the Group from a certain proportion of the future sales of the products of the Project by the PNG Parties. The outstanding long-term receivable from the PNG Parties by the Group is interest-bearing at a rate agreed by the PNG Parties and the Group. Meanwhile, the PNG Parties would bear 15% of the Project operation costs. As such, from 1 January 2015 onward, the proportion of the mineral products shared by Ramu NiCo would be reduced to 85%. The Group will enjoy 85% of the revenue and shared 85% of the operation costs of the Project accordingly. As at 30 June 2017, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1.28 billion.

- (2) As at 30 June 2017, long-term receivables transferred and derecognized in the previous year that the Group continued to involve in due to the subsequent payment service after contracting with assets transfer amounted to RMB1,800,000,000 (as at 31 December 2016: RMB1,800,000,000). At the view of the Group, the fair value concerned is insignificant.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Long-term equity investments

All amounts in RMB'000

Company name	Movements during the current period									Closing balance net of provision	Impairment provision
	Opening balance net of provision	Increasing investments	Decreasing investments	Share of profits/(losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current period	Others		
1. Joint ventures											
Guizhou Ziwang Highway Construction Co., Ltd. (Note 11(1)(b))	152,946	270,247	-	(57,569)	-	-	-	-	-	365,624	-
Guizhou Sanli Highway Construction Co., Ltd. (Note 11(1)(b))	135,748	210,708	-	(53,626)	-	-	-	-	-	292,830	-
Tianjin Zhongji Equipment Manufacture Co., Ltd.	298,614	-	-	(32,735)	-	-	-	-	-	265,879	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (Note 11(1)(b))	243,785	-	-	-	-	-	-	-	-	243,785	-
Guizhou Sanshi Highway Construction Co., Ltd. (Note 11(1)(b))	75,797	154,625	-	(38,622)	-	-	-	-	-	191,800	-
Others	413,776	689,105	-	865	-	-	-	(64,890)	-	1,038,856	64,890
Subtotal	1,320,666	1,324,685	-	(181,687)	-	-	-	(64,890)	-	2,398,774	64,890
2. Associates											
Tianjin SERI Machinery Equipment Corporation Ltd.	721,016	-	-	(8,559)	-	-	-	-	-	712,457	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	480,080	-	-	(26,493)	-	-	-	-	-	453,587	-
Nanjing Ming's Culture Co., Ltd.	298,265	-	-	(52)	-	-	-	-	-	298,213	-
Tianjin Tuanbo Urban Development Co., Ltd.	223,224	-	-	(2,116)	-	-	-	-	-	221,108	-
Yuxi Dongye Sponge City Construction and Operation Co., Ltd.	-	199,945	-	-	-	-	-	-	-	199,945	-
Others	2,120,234	344,490	-	(7,511)	(142)	-	(10,683)	-	-	2,446,388	56,731
Subtotal	3,842,819	544,435	-	(44,731)	(142)	-	(10,683)	-	-	4,331,698	56,731
Total	5,163,485	1,869,120	-	(226,418)	(142)	-	(10,683)	(64,890)	-	6,730,472	121,621

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
I. Total original book value			
1. Opening balance	2,569,490	555,941	3,125,431
2. Increase	421,163	–	421,163
(1) Transferred from fixed assets	4,057	–	4,057
(2) Transferred from construction in progress	409,975	–	409,975
(3) Others	7,131	–	7,131
3. Decrease	13,751	363	14,114
(1) Disposal	12,708	363	13,071
(2) Others	1,043	–	1,043
4. Closing balance	2,976,902	555,578	3,532,480
II. Total accumulated depreciation and amortization			
1. Opening balance	552,582	86,253	638,835
2. Increase	33,866	5,011	38,877
(1) Depreciation or amortization	33,274	5,011	38,285
(2) Transferred from fixed assets	592	–	592
3. Decrease	2,032	65	2,097
(1) Disposal	1,387	65	1,452
(2) Others	645	–	645
4. Closing balance	584,416	91,199	675,615
III. Total accumulated impairment provision			
1. Opening balance	–	–	–
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. Closing balance	–	–	–
IV. Total carrying amount			
1. Closing balance	2,392,486	464,379	2,856,865
2. Opening balance	2,016,908	469,688	2,486,596

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

15. Investment properties (Continued)

- (2) As at 30 June 2017, the Group have buildings and structures of investment properties at carrying amount of RMB409,167,000 of which the title certificates were not obtained by the Group (as at 31 December 2016: nil).

All amounts in RMB'000

Project	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	409,167	In process

- (3) Investment properties with title restriction as at 30 June 2017 are set out in Note VII64.

16. Fixed assets

(1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
I. Total historical cost:					
1. Opening balance	21,247,806	23,217,585	2,261,173	3,410,628	50,137,192
2. Increase	592,946	179,055	53,674	101,609	927,284
(1) Purchase	118,942	138,934	52,626	57,544	368,046
(2) Transferred from construction in progress	452,707	10,030	293	28,814	491,844
(3) Others	21,297	30,091	755	15,251	67,394
3. Decrease	498,159	553,884	69,478	113,827	1,235,348
(1) Disposal or written-off	24,612	104,781	47,332	50,257	226,982
(2) Transferred to investment properties	4,057	-	-	-	4,057
(3) Disposal of subsidiaries	331,477	286,649	4,875	387	623,388
(4) Others	138,013	162,454	17,271	63,183	380,921
4. Closing balance	21,342,593	22,842,756	2,245,369	3,398,410	49,829,128

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. 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. Opening balance	5,358,464	10,541,294	1,449,623	1,265,920	18,615,301
2. Increase	373,776	783,487	84,024	102,261	1,343,548
(1) Depreciation	357,133	777,781	83,740	88,523	1,307,177
(2) Others	16,643	5,706	284	13,738	36,371
3. Decrease	195,147	330,358	47,311	28,007	600,823
(1) Disposal or written-off	16,840	93,297	38,549	19,001	167,687
(2) Transferred to investment properties	592	-	-	-	592
(3) Disposal of subsidiaries	163,803	154,724	4,228	357	323,112
(4) Others	13,912	82,337	4,534	8,649	109,432
4. Closing balance	5,537,093	10,994,423	1,486,336	1,340,174	19,358,026
III. Total impairment provision					
1. Opening balance	375,296	967,390	24,732	116,717	1,484,135
2. Increase	100,347	8,388	1,067	71	109,873
(1) Provision	100,347	8,388	785	71	109,591
(2) Others	-	-	282	-	282
3. Decrease	13,912	16,524	1,304	3,069	34,809
(1) Disposal or written-off	-	859	-	-	859
(2) Others	13,912	15,665	1,304	3,069	33,950
4. Closing balance	461,731	959,254	24,495	113,719	1,559,199
IV. Total carrying amount of fixed assets					
1. Closing balance	15,343,769	10,889,079	734,538	1,944,517	28,911,903
2. Opening balance	15,514,046	11,708,901	786,818	2,027,991	30,037,756

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. 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	259,485	105,068	107,510	46,907	Seasonal suspension or idle
Machinery and equipment	655,443	295,390	333,041	27,012	Seasonal suspension or idle
Other equipment	23,954	15,223	–	8,731	Seasonal suspension or idle

(3) Fixed assets under finance leases

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	665,867	236,897	–	428,970

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	35,602
Transportation vehicles	25,958

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

Buildings and structures with an aggregate carrying amount of RMB84,257,000 (historical cost: RMB90,260,000) as at 30 June 2017 (as at 31 December 2016: carrying amount of RMB66,173,000; historical cost of RMB82,990,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	68,494	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	15,763	In the process

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

16. Fixed assets *(Continued)*

- (6) Fixed assets with title restriction as at 30 June 2017 are set out in Note VII64.
- (7) The total depreciation of the Group's fixed assets amounted to RMB1,307,177,000 (for period ended 30 June 2016: RMB1,389,501,000) for the current period, of which RMB979,204,000, RMB8,711,000 and 283,843,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (for the period ended 30 June 2016: RMB1,003,490,000, RMB7,352,000 and RMB311,759,000). The amount of depreciation of the Group's fixed assets which was charged to inventories amounted to RMB35,419,000 (for the period ended 30 June 2016: RMB66,900,000).
- (8) Impairment provision for fixed assets was RMB1,559,199,000 as at 30 June 2017 (as at 31 December 2016: RMB1,484,135,000).
- (a) As the market price of poly-silicon remained low, certain items of fixed assets of China Silicon 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 2016, 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 2017, the Group assessed the present value of the recoverable value based on the latest financial forecast approved by the management and a pre-tax discount rate of 12.55% (for the year ended 31 December 2016: 12.79%), and made no extra impairment provision for current period (for the period ended 30 June 2016: nil). The fixed assets of China Silicon belong to the resource development segment.
- (b) As the international market price of nickel and cobalt remained low, fixed assets of Ramu Nico Project Papua New Guinea, a subsidiary of the Company, had impairment indicator. Based on the impairment assessment, the Group made an impairment provision for the fixed assets of Ramu Nico Project Papua New Guinea amounting to RMB656,184,000 for the year ended 31 December 2015. As at 30 June 2017, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB9,340,467,000, the Group has re-assessment of the main factors of effecting the impairment provision. The recoverable value was determined by calculating the present value of the estimated future cash flows generated by the assets based on the five-year financial forecast approved by the management and a pre-tax discount rate of 14.29% (for the year ended 31 December 2016: 14.29%),. The estimated future cash flows were forecasted with reference to the forecast prices of nickel and cobalt, estimated production capacity, annual planned production volume, expected revenue growth and gross margin and estimated years of operations, taking the exercise of the Papua New Guinea parties into consideration (Note VII13). Based on the impairment assessment, the Group made no extra impairment provision for current period (for the period ended 30 June 2016: nil).

As at 30 June 2017, impairment provision for fixed assets which concerned Ramu Nico Project Papua New Guinea was RMB712,370,000 including the increasing accumulated impact on exchange fluctuation of U.S. dollars of RMB57,556,000. The related fixed assets belong to the resource development segment.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in progress

(1) Construction in progress

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	1,019,336	-	1,019,336	1,033,708	-	1,033,708
Duddar lead-zinc project	837,339	603,202	234,137	815,091	603,202	211,889
CISDI Chengdu Research and Design Center	207,151	-	207,151	159,566	-	159,566
Southern building of MCC	196,822	-	196,822	174,729	-	174,729
Project in transforming steel slag line into cement production line	185,477	-	185,477	185,477	-	185,477
CCEPC manufacturing and research building	131,453	-	131,453	67,082	-	67,082
Large-scale multiple stamp work heavy equipment independent industrial base	67,489	-	67,489	66,170	-	66,170
Ultra-high purity polysilicon energy saving and technological development project	56,419	-	56,419	50,686	-	50,686
Re-processing of steel slag project	56,011	-	56,011	20,066	-	20,066
China Metallurgical Construction Engineering Group office building project in Ningxia	48,053	-	48,053	24,489	-	24,489
Others	1,039,694	12,270	1,027,424	1,669,836	10,526	1,659,310
Total	3,845,244	615,472	3,229,772	4,266,900	613,728	3,653,172

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Construction in progress (Continued)

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

All amounts in RMB'000

Items	Budgeted amount	Opening balance	Increase	Transfer to fixed assets/ intangible assets/ investment properties	Other changes	Closing balance	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current period	Latest rate of borrowing costs capitalized for the current period (%)	Sources of fund
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	23,847,800	1,033,708	11,074	-	(25,446)	1,019,336	19.29	19.29	-	-	-	Self-raised funds
Duddar lead-zinc project	1,070,448	815,091	27,215	-	(4,967)	837,339	87.25	87.25	19,508	3,631	5.00	Self-raised funds & loan from financial institutions
CISDI Chengdu Research and Design Center	766,550	159,566	47,585	-	-	207,151	27.02	27.02	-	-	-	Self-raised funds
Southern building of MCC	271,760	174,729	22,093	-	-	196,822	68.00	68.00	-	-	-	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
CCEPC manufacturing and research building	175,867	67,082	64,371	-	-	131,453	75.00	75.00	-	-	-	Self-raised funds
Large-scale multiple stamp work heavy equipment independent industrial base	527,449	66,170	1,319	-	-	67,489	75.41	75.41	-	-	-	Self-raised funds
Ultra-high purity polysilicon energy saving and technological development project	516,900	50,686	5,733	-	-	56,419	30.09	30.09	-	-	-	Self-raised funds
Re-processing of steel slag project	195,260	20,066	35,945	-	-	56,011	28.69	28.69	-	-	-	Self-raised funds & loan from financial institutions
China Metallurgical Construction Engineering Group office building project in Ningxia	50,000	24,489	23,564	-	-	48,053	96.00	96.00	-	-	-	Self-raised funds
Others	10,785,120	1,669,836	432,217	(1,053,204)	(9,155)	1,039,694	/	/	3,788	5,672	/ /	
Total	38,395,986	4,266,900	671,116	(1,053,204)	(39,568)	3,845,244	/	/	23,296	9,303	/ /	

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. Construction in progress *(Continued)*

(3) The Group made RMB2,211,000 impairment provision for construction in progress for the current period (for the period ended 30 June 2016: nil). As at 30 June 2017, the balance of the impairment provision for construction in progress of the Group was RMB615,472,000 (as at 31 December 2016: RMB613,728,000).

(a) As Duddar Lead-Zinc Project had an impairment indicator, the Group performed an impairment assessment based on their estimated recoverable value of relative assets. The recoverable value was estimated by calculating the present value of the estimated future cash flows. The estimated future cash flows were forecasted with reference to estimated production capacity, annual planned production volume, estimated production growth, estimated gross margin and estimated years of operations. Estimated income growth and gross margin were determined according to past market performance and management expectation. For the year ended 31 December 2014, the Group started the implementation of technological transformation of Duddar Lead-Zinc Project. As at 31 December 2016, based on the impairment assessment, the accumulated impairment provision for the construction-in-progress of Duddar Lead-Zinc Project amounted to RMB603,202,000. According to the latest financial forecast approved by the management and a pre-tax discount rate of 15% (for the year ended 31 December 2016: 15%) to assess the present value of the recoverable value, the Group should make no extra impairment provision for current period (for the period ended 30 June 2016: nil). The related construction-in-progress belong to the resource development segment.

18. Materials for construction of fixed assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Materials	17,826	18,180
Equipment	48,077	50,162
Tools and instruments prepared for production	686	709
Others	24	23
Total	66,613	69,074

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Intangible assets

(1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
I. Total historical cost:							
1. Opening balance	6,951,737	4,198,860	7,830,661	504,964	55,760	270	19,542,252
2. Increase	377,608	102,470	957,547	18,242	3,235	-	1,459,102
(1) Purchase	277,668	2,446	887,911	17,118	3,235	-	1,188,378
(2) Transferred from construction in progress	94,771	-	55,495	1,119	-	-	151,385
(3) Investment from investors	5,169	-	9,649	-	-	-	14,818
(4) Others	-	100,024	4,492	5	-	-	104,521
3. Decrease	3,822	125,893	16	357	801	-	130,889
(1) Disposal	-	-	16	-	-	-	16
(2) Disposal of subsidiaries	-	88,719	-	-	-	-	88,719
(3) Others	3,822	37,174	-	357	801	-	42,154
4. Closing balance	7,325,523	4,175,437	8,788,192	522,849	58,194	270	20,870,465
II. Total accumulated amortization							
1. Opening balance	1,158,893	105,824	817,782	356,186	38,068	270	2,477,023
2. Increase	75,478	1,544	85,229	24,393	821	-	187,465
(1) Amortization	75,478	1,544	85,229	24,388	821	-	187,460
(2) Others	-	-	-	5	-	-	5
3. Decrease	546	54,898	7	275	3	-	55,729
(1) Disposal	-	-	7	-	-	-	7
(2) Disposal of subsidiaries	-	54,862	-	-	-	-	54,862
(3) Others	546	36	-	275	3	-	860
4. Closing balance	1,233,825	52,470	903,004	380,304	38,886	270	2,608,759

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Intangible assets (Continued)

(1) Intangible assets (Continued)

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
III. Total impairment provision							
1. Opening balance	55,200	2,588,368	-	18	4,783	-	2,648,369
2. Increase	911	113,818	-	-	-	-	114,729
(1) Provision	911	13,947	-	-	-	-	14,858
(2) Others	-	99,871	-	-	-	-	99,871
3. Decrease	2,410	727	-	-	-	-	3,137
(1) Others	2,410	727	-	-	-	-	3,137
4. Closing balance	53,701	2,701,459	-	18	4,783	-	2,759,961
IV. Carrying amount of intangible assets							
1. Closing balance	6,037,997	1,421,508	7,885,188	142,527	14,525	-	15,501,745
2. Opening balance	5,737,644	1,504,668	7,012,879	148,760	12,909	-	14,416,860

As at 30 June 2017, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.03% (as at 31 December 2016: 0.03%).

- (2) As the Cape Lambert Iron Project owned by MCC Australia Holding Pty Ltd. ("MCCA", a wholly owned subsidiary of the Company) had an impairment indicator, the estimated recoverable value of assets of the Cape Lambert Iron Project ("the Cape Lambert Assets") was determined by a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Ltd., an independent valuer. Based on the impairment assessment, as at 30 June 2017, the Group made an accumulated impairment provision for the Cape Lambert Assets amounting to RMB2,679,283,000 including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB355,929,000. The related intangible assets belong to the resource development segment.
- (3) Intangible assets with title restriction as at 30 June 2017 are set out in Note VII64.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Goodwill

(1) Original historical amount

All amounts in RMB'000

Company name	Opening balance	Increase		Decrease		Closing balance
		Business combinations	Others	Disposal	Others	
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	62,497	-	-	-	3,565	58,932
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
Shanghai YiGang Electrical Co., Ltd.	448	-	-	-	-	448
Ningcheng County HongDa Mining Co., Ltd	7,187	-	-	7,187	-	-
Total	357,259	-	-	7,187	3,565	346,507

(2) Impairment provision

All amounts in RMB'000

Company name	Opening balance	Increase		Decrease		Closing balance
		Provision	Others	Disposal	Others	
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	62,497	-	-	-	3,565	58,932
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	8,026	141	-	-	-	8,167
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Shanghai YiGang Electrical Co., Ltd.	448	-	-	-	-	448
Total	184,201	141	-	-	3,565	180,777

The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33% (As at 31 December 2016: 17.33%). Cash flow projections during the forecast period for the asset groups are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Long-term prepayments

All amounts in RMB'000

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Improvements of operating lease of fixed assets	11,937	2,215	2,744	–	11,408
Insurance expenditures	23,286	1,283	4,271	–	20,298
Rental expenditures	32,631	1,168	6,033	24,444	3,322
Repair expenditures	8,190	–	1,279	60	6,851
Others	173,313	29,463	23,626	3,298	175,852
Total	249,357	34,129	37,953	27,802	217,731

22. Deferred tax assets and deferred tax liabilities

(1) *Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction*

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Deductible temporary differences/tax losses	Deferred tax assets	Deductible temporary differences/tax losses	Deferred tax assets
Impairment provision	17,179,939	3,352,518	16,546,703	3,264,476
Unrealized profit on inter-company transactions	1,524,705	333,726	1,317,523	291,397
Defined benefit plans	1,610,256	377,116	1,628,482	383,869
Deductible tax losses	795,344	195,588	630,595	150,930
Employee benefits payable	430,277	82,055	446,544	86,442
Changes in the fair value of available-for-sale financial assets	3,987	964	5,747	1,409
Others	1,022,851	220,568	1,095,523	232,608
Total	22,567,359	4,562,535	21,671,117	4,411,131

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(2) Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	109,168	35,049	119,206	38,515
Changes in the fair value of available-for-sale financial assets	319,669	79,666	330,441	82,173
Others	622,337	155,024	581,186	144,836
Total	1,051,174	269,739	1,030,833	265,524

(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		The offset amount of deferred tax assets and liabilities at the beginning of the period	
	Deferred tax assets	Deferred tax assets or liabilities after offset at the end of the period	Deferred tax assets	Deferred tax assets or liabilities after offset at the beginning of the period
Deferred tax assets	59,615	4,502,920	53,123	4,358,008
Deferred tax liabilities	59,615	210,124	53,123	212,401

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

All amounts in RMB'000

Items	Closing balance	Opening balance
Deductible temporary differences	5,161,148	4,797,369
Deductible tax losses	15,825,666	21,295,081
Total	20,986,814	26,092,450

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

All amounts in RMB'000

Year	Closing balance	Opening balance
2017	–	6,665,659
2018	4,785,994	4,846,966
2019	3,131,852	3,144,828
2020	2,950,262	2,965,555
2021	3,615,522	3,672,073
2022	1,342,036	–
Total	15,825,666	21,295,081

23. Other non-current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deposits for acquisition of assets	364,784	166,974
Total	364,784	166,974

24. Short-term borrowings

(1) **Categories of short-term borrowings**

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledged loans (a)	124,674	228,674
Mortgaged loans (b)	146,000	96,000
Guaranteed loans	–	485,590
Credit loans	55,042,431	48,930,176
Total	55,313,105	49,740,440

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Short-term borrowings (Continued)

(1) Categories of short-term borrowings (Continued)

(a) Pledged loans

As at 30 June 2017, borrowings of RMB124,674,000 (as at 31 December 2016: RMB228,674,000) were secured by the pledge of the Group's accounts receivable and fixed term deposit notes in an aggregate amount of RMB129,494,000 (as at 31 December 2016: RMB233,494,000).

(b) Mortgaged loans

As at 30 June 2017, borrowings of RMB146,000,000 (as at 31 December 2016: RMB96,000,000) were secured by the mortgage of the Group's intangible assets, fixed assets and investment properties in an aggregate amount of RMB404,585,000 (as at 31 December 2016: RMB317,978,000).

(2) For the period ended 30 June 2017, the weighted average interest rate of short-term borrowings was 4.15% per annum (for the period ended 30 June 2016: 4.54% per annum).

25. Derivative financial liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Forward exchange contracts	6,629	17,443
Total	6,629	17,443

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

26. Bills payable

All amounts in RMB'000

Category	Closing balance	Opening balance
Bank acceptance bills	15,216,256	15,387,799
Commercial acceptance bills	1,749,800	2,250,492
Total	16,966,056	17,638,291

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

27. Accounts payable

(1) Accounts payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	77,110,974	75,902,867
Purchases	28,773,884	28,330,653
Design fees	226,148	292,060
Labor fees	5,949,584	6,507,948
Retention money	472,672	465,114
Others	626,927	500,666
Total	113,160,189	111,999,308

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	79,643,359	78,391,900
1 to 2 years	17,326,860	17,055,580
2 to 3 years	7,063,952	7,311,159
Over 3 years	9,126,018	9,240,669
Total	113,160,189	111,999,308

(3) Significant accounts payable aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	392,367	Projects not yet settled
Party 2	Third Party	212,250	
Party 3	Third Party	185,988	
Party 4	Third Party	177,923	
Party 5	Third Party	132,896	
Total	/	1,101,424	/

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Receipts in advance

(1) Receipts in advance

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	11,616,142	9,594,322
Sales proceeds	14,960,011	11,570,928
Design fees	713,887	575,721
Labor fees	95,335	48,825
Gross amounts due to contract customers	11,251,654	11,165,516
Others	202,658	206,038
Total	38,839,687	33,161,350

(2) Significant receipts in advance aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	400,919	Projects not yet settled
Party 2	Third Party	323,584	
Party 3	Third Party	259,942	
Party 4	Third Party	209,000	
Party 5	Third Party	150,289	
Total	/	1,343,734	/

(3) Gross amounts due to contract customers of construction contracts as at 30 June 2017

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	215,477,870
Recognized profits to date	22,067,606
Less: Estimated loss	9,268
Accumulated settlement	248,787,862
Gross amounts due to contract customers	(11,251,654)

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	1,641,601	6,845,465	6,769,513	1,717,553
II. Post-employment benefits -defined contribution plan	236,402	1,328,028	1,339,219	225,211
III. Termination benefits	14,550	37,242	47,217	4,575
IV. Other benefits	23,013	519,035	501,531	40,517
Total	1,915,566	8,729,770	8,657,480	1,987,856

(2) Short-term employee benefits

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Salaries, bonuses, allowances and subsidies	774,075	5,318,013	5,276,622	815,466
II. Staff welfare	4,910	169,895	170,169	4,636
III. Social insurance premiums	28,244	529,987	533,276	24,955
Including: Medical insurance	27,174	462,194	465,523	23,845
Work-related injury insurance	938	38,770	38,733	975
Maternity insurance	132	29,023	29,020	135
IV. Housing provident funds	163,112	700,471	691,949	171,634
V. Labor union expenditures and employees' education expenses	671,260	127,099	97,497	700,862
Total	1,641,601	6,845,465	6,769,513	1,717,553

(3) Defined contribution plan

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	145,774	1,084,466	1,099,481	130,759
2. Unemployment insurance	7,149	46,810	46,792	7,167
3. Supplementary pension	83,479	196,752	192,946	87,285
Total	236,402	1,328,028	1,339,219	225,211

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 RMB1,328,028,000 (for the period ended 30 June 2016: RMB1,322,397,000) to the defined contribution plan for the current period. As at 30 June 2017, there was a payable amount of RMB225,211,000 (as at 31 December 2016: RMB236,402,000).

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Taxes payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Value added tax	462,131	626,232
Consumption tax	10,473	6,118
Business tax (note)	(84,797)	(174,377)
Enterprise income tax	910,151	1,770,653
Individual income tax	90,129	408,967
City maintenance and construction tax	64,362	72,392
Education surcharges	54,557	51,485
Land appreciation tax	232,415	195,693
Others	113,484	153,604
Total	1,852,905	3,110,767

Note: The business tax payable balance of the Group is the business tax paid in advance before May 1, 2016.

31. Interests payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests payable on long-term borrowings	158,012	168,899
Interests payable on corporate bonds	265,640	249,018
Interests payable on short-term borrowings	183,505	65,610
Others	8,949	10,000
Total	616,106	493,527

As at 30 June 2017, the Group did not have any significant overdue interest.

32. Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
CMGC's dividends	735,907	–
The dividends on other holders of ordinary shares than those of CMGC	507,510	–
Dividend declared on perpetual bonds classified as equity instrument	205,972	168,633
Other dividends	536,999	658,793
Total	1,986,388	827,426

Dividends aged over one year but not settled yet is RMB533,335,000, relevant subsidiaries are negotiating with the relevant shareholders for the settlement plan.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

33. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Guarantees and deposits payable	11,723,481	11,265,439
Rental payable	221,535	263,583
Utilities payable	187,833	188,503
Repair and maintenance payable	339,773	369,348
Payables for land use rights	11,540	6,900
Others	7,252,778	6,587,352
Total	19,736,940	18,681,125

(2) Significant other payables aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	2,428,264	The settlement dates were not yet due
Party 2	Third Party	194,070	
Party 3	Third Party	157,559	
Party 4	Third Party	152,960	
Party 5	Third Party	100,000	
Total	/	3,032,853	/

34. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note VII36)	4,625,821	5,164,556
Bonds payable due within one year (Note VII37)	3,381,812	8,344,725
Long-term payables due within one year (Note VII38)	559,337	511,644
Long-term employee benefits payable due within one year (Note VII39)	329,965	419,328
Total	8,896,935	14,440,253

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

35. Other current liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Amounts to be transferred to output VAT	4,608,361	3,880,005
Deferred income to be released to income statement within one year (Note VII42)	127,671	117,876
Total	4,736,032	3,997,881

36. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledge loans (a)	932,894	922,691
Mortgage loans (b)	7,958,090	6,630,142
Guarantee loans (c)	1,474,050	–
Credit loans	25,427,022	22,650,543
Total	35,792,056	30,203,376
Less: Long-term borrowings due within one year (Note VII34)	4,625,821	5,164,556
Including: Pledge loans	856,796	586,023
Mortgage loans	1,273,269	1,557,369
Credit loans	2,495,756	3,021,164
Long-term borrowings due over one year	31,166,235	25,038,820

(a) Pledge loans

As at 30 June 2017, borrowings of RMB932,894,000 (as at 31 December 2016: RMB922,691,000) were secured by the pledge of the Group's accounts receivable in amount of RMB1,238,120,000 (as at 31 December 2016: RMB1,227,916,000).

(b) Mortgage loans

As at 30 June 2017, borrowings of RMB7,958,090,000 (as at 31 December 2016: RMB6,630,142,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB11,811,807,000 (as at 31 December 2016: RMB11,103,373,000).

(c) Guaranteed loans

As at 30 June 2017, long-term guaranteed loans amounting to RMB1,474,050,000 was guaranteed by CMGC (as at 31 December 2016: Nil).

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Long-term borrowings (Continued)

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

All amounts in RMB'000

Maturity Date	Closing balance	Opening balance
1 to 2 years	22,598,968	10,497,561
2 to 5 years	5,218,551	11,286,387
Over 5 years	3,348,716	3,254,872
Total	31,166,235	25,038,820

(3) For the period ended 30 June 2017, the weighted average interest rate of long-term borrowings was 4.38% per annum (for the period ended 30 June 2016: 4.82% per annum).

(4) As at 30 June 2017, the Group did not have any significant overdue long-term borrowings.

37. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Corporate debentures	6,654,000	6,654,000
USD debentures	6,749,209	6,906,278
SGD debentures	—	1,438,447
Total	13,403,209	14,998,725
Including: Bonds payable due within one year (Note VII34)	3,381,812	8,344,725
Bonds payable due over one year	10,021,397	6,654,000

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Bonds payable (Continued)

(2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	Opening balance	Issued in the current period	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current period	Closing balance
Corporate Debentures (a)	3,500,000	2008-07-23	10 years	3,500,000	2,704,000	-	80,438	-	-	-	2,704,000
USD debentures	3,076,850	2014-06-16	3 years	2,953,930	3,449,316	-	41,246	(80,851)	18,735	3,387,200	-
USD debentures (b)	3,081,900	2014-08-28	3 years	3,050,434	3,456,963	-	67,031	(81,030)	5,879	-	3,381,812
Corporate Debentures-SGD	1,367,400	2015-05-21	2 years	1,361,151	1,438,446	-	18,353	45,267	1,437	1,485,150	-
Corporate Debentures (c)	500,000	2015-12-24	5 years	500,000	450,000	-	11,313	-	-	-	450,000
Corporate Debentures (d)	3,500,000	2016-03-03	3 years	3,500,000	3,500,000	-	83,587	-	-	-	3,500,000
USD debentures (e)	3,431,650	2017-05-31	3 years	3,411,043	-	3,411,043	8,213	(44,183)	537	-	3,367,397
Total	18,457,800	/	/	18,276,558	14,998,725	3,411,043	310,181	(160,797)	26,588	4,872,350	13,403,209

- (a) As approved by the National Development and Reform Commission, the Company issued corporate debentures in July 2008 at face value of RMB3,500,000,000, with a term of ten years from issuance and interest rate of 6.10% per annum. The Company has the right to increase the coupon rate by 0 to 100 basis points at the end of the fifth year for the duration of the corporate debentures. Investors shall be entitled to be registered according to the implementation of bonds sold back measures of the registration period, either sell back all or part of the bonds to the Company or keep holding the bonds. On 24 July 2013, the Company redeemed bonds amounting to RMB796,000,000 from the bondholders.
- (b) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 28 August 2014 at a discounted price of USD494,895,000, with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.500% per annum. Interest will be paid every quarter and principal will be paid upon maturity date. The debentures are guaranteed by headquarter of Agricultural Bank of China.
- (c) MCC Real Estate Group Co., Ltd. issued corporate debentures on a non-public issuance basis on 24 December 2015 at face value of RMB500,000,000, with a term of five years from issuance and interest bearing at a rate of 5% per annum. The issuer has the right to adjust the interest rate while the bond holders can exercise their sold back rights at the end of each year for the duration of the private corporate debentures. On 23 December 2016, MCC Real Estate Group Co., Ltd. redeemed bonds amounting to RMB50,000,000 from the bondholders.
- (d) MCC Real Estate Group Co., Ltd. issued corporate debentures on a non-public issuance basis on 3 March 2016 at face value of RMB3,500,000,000, with a term of three years from issuance and interest bearing at a rate of 4.75% per annum. The issuer has the right to adjust the interest rate while the bond holders can exercise their sold back rights at the end of second year for the duration of the private corporate debentures.
- (e) 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.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Long-term payables

(1) Long-term payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Finance lease payables	653,303	543,025
Housing maintenance fee payables	42,419	42,337
Funds payable	215	215
Others	774,218	776,347
Total	1,470,155	1,361,924
Including: Long-term payables due within one year (Note VII34)	559,337	511,644
Long-term payables due over one year	910,818	850,280

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

All amounts in RMB'000

Maturity Date	Closing balance	Opening balance
1 to 2 years	317,722	290,823
2 to 5 years	166,390	156,695
Over 5 years	426,706	402,762
Total	910,818	850,280

(3) Details of finance lease payables

All amounts in RMB'000

	Closing balance	Opening balance
The first year after balance sheet	291,086	244,148
The second year after balance sheet	250,097	306,024
The third year after balance sheet	105,035	34,596
Subsequent years	71,998	16,716
Minimum lease payments	718,216	601,484
Less: Unrecognized finance costs	64,913	58,459
Finance lease payables	653,303	543,025
Including: Amount due for settlement within one year	259,166	211,474
Amount due for settlement after one year	394,137	331,551

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term employee benefits payable

(1) Long-term employee benefits payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Post-employment benefits -Net liability arising from defined benefit plan	3,733,521	4,066,001
Including: Long-term employee benefits payable due within one year (NoteVII34)	329,965	419,328
Long-term employee benefits payable due over one year	3,403,556	3,646,673

(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	4,066,001	4,428,459
II. Defined benefit costs recognized in profit or loss	57,839	61,851
1. Net interest expense	57,839	61,851
III. Defined benefit costs recognized in other comprehensive income	(156,579)	(1,216)
1. Actuarial gains	(156,579)	(1,216)
IV. Other movements	(233,740)	(246,390)
1. Benefits paid	(233,740)	(246,390)
V. Closing balance	3,733,521	4,242,704

(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" (formerly known as 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.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term employee benefits payable (Continued)

(1) Long-term employee benefits payable (Continued)

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

	2017.06.30	2016.12.31
Discount rate	3.60%	3.00%
Mortality rate	CLA 2000-03 up 2	CLA 2000-03 up 2
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

40. Special payables

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Housing allowance payables	607	–	–	607
Special housing maintenance fee payables	47	33	2	78
Others	6,521	4,700	3,947	7,274
Total	7,175	4,733	3,949	7,959

41. Provisions

All amounts in RMB'000

Items	Closing balance	Opening balance	Reasons
Pending litigations	19,414	23,234	Because of the verdict of losing a lawsuit, the Group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle these obligations and the amount had been reliably estimated.
Product quality warranties	4,045	7,298	Because of the sales contract, the Group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle these obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	195,777	199,264	Because of the resource development contract, the Group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle these obligations and the amount had been reliably estimated.
Others	35,170	339,080	Others
Total	254,406	568,876	/

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Deferred income

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants (a)	1,306,978	163,087	167,706	1,302,359	The government grants related to assets mainly including the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly including research subsidies.
Others	193,197	–	29,527	163,670	Others
Total	1,500,175	163,087	197,233	1,466,029	/
Including: Deferred income to be released to profit and loss within one year (Note VII35)	117,876	/	/	127,671	/
Deferred income to be released to profit and loss over one year	1,382,299	/	/	1,338,358	/

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

42. Deferred income (Continued)

(a) Top ten deferred income relating to government grants

All amounts in RMB'000

Government grants	Opening balance	Increased in the current period	Recognized in non-operating income in the current period			Closing balance	Related to assets or incomes
			Non-operating income	Amount charged against cost expenses	Other decreases		
Subsidy for rural reconstruction in Chongqing Dadukou district	171,478	-	3,189	-	-	168,289	Related to income
The return of land leasing in Chongqing Dadukou district	104,442	-	1,431	-	-	103,011	Related to income
Government grants to the comprehensive underground tunnel project for new city	50,000	50,000	-	-	-	100,000	Related to assets
Subsidy for R & D building and electromechanical park project	67,200	-	-	1,600	-	65,600	Related to assets
NDRC (Large-scale industry base construction of multiform stamp forgings)	58,473	-	-	10	-	58,463	Related to assets
Subsidy for redevelopment project in Chongqing Jiulongpo district	56,124	-	-	-	-	56,124	Related to income
R&D of technology and equipment of large gas purification (large-scaling of gas purification facilities)	59,922	-	-	12,547	-	47,375	Related to assets
Industry transformation and upgrading funds for strong industry base—electronic high purity polysilicon	47,150	-	-	-	-	47,150	Related to assets
NDRC/MIIT(2013 second central budget allocations about Industrial revitalization and technological transformation projects)	48,017	-	-	1,675	-	46,342	Related to assets
Financial support for the new industrial park	48,006	-	-	4,794	-	43,212	Related to assets
Others	596,166	113,087	46,912	63,891	31,657	566,793	Related to assets or incomes
Total	1,306,978	163,087	51,532	84,517	31,657	1,302,359	/

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Share capital

All amounts in RMB'000

	Opening balance	Issue of new shares	Movements during the current period			Subtotal	Closing balance
			Bonus issue	Shares converted from capital reserve	Others		
Total shares	20,723,619	-	-	-	-	-	20,723,619

44. 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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Other equity instruments (Continued)

(1) The basic information of the perpetual bond or other financial instruments in issue at the end of the 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 two 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)
Approval number		Zheng Jian Xu Ke [2016] Notice No. 3073
Date of issues	28 February – 1 March 2017	10 March – 13 March 2017
Total amount actually issued	RMB2,700,000,000	RMB2,000,000,000
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, 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 is not subject to restriction on times. During each period, the Company cannot 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.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Other equity instruments (Continued)

(1) The basic information of the perpetual bond or other financial instruments in issue at the end of the period (Continued)

(b) Approved by CSRC, the Company issued two 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 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) Reduction of registered capital.

(2) Movements of the perpetual bond or other financial instrument in issue

All amounts in RMB'000

Name of financial instrument	Opening balance		Increase		Decrease		Closing balance	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
First tranche of medium term notes of 2015 (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
Total	10,000	9,884,950	4,700	4,699,615	-	-	14,700	14,584,565

(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 two tranches of renewable corporate bonds of 2017 were recognized as other equity instrument in full amount received of RMB4,700,000,000 deducted by the issuing costs of RMB385,000 totally.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Capital reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	22,507,192	–	–	22,507,192
Other capital reserve (Note IX2)	(68,848)	2,348	23,605	(90,105)
Total	22,438,344	2,348	23,605	22,417,087

46. Other comprehensive income

All amounts in RMB'000

Items	Opening balance	Movements during the current period					Closing balance
		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	
1. Other comprehensive income that will not be reclassified to profit or loss subsequently	37,757	156,579	–	10,401	141,156	5,022	178,913
Including: Remeasurement of defined benefit obligations	37,757	156,579	–	10,401	141,156	5,022	178,913
2. Other comprehensive income that may be reclassified subsequently to profit or loss:	151,300	(86,531)	–	(3,766)	(60,010)	(22,755)	91,290
Including: Net (loss) gain on revaluation of available-for-sale financial assets	213,186	(8,995)	–	(2,062)	(7,010)	77	206,176
Exchange differences on translating foreign operations	(61,886)	(77,394)	–	(1,704)	(52,896)	(22,794)	(114,782)
Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method	–	(142)	–	–	(104)	(38)	(104)
Total comprehensive income	189,057	70,048	–	6,635	81,146	(17,733)	270,203

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Special reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Production safety fee	12,550	1,020,399	1,020,399	12,550
Total	12,550	1,020,399	1,020,399	12,550

48. Surplus reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	1,100,651	–	–	1,100,651
Total	1,100,651	–	–	1,100,651

49. Retained earnings

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Opening balance	16,203,904	12,782,248
Add: Net profit attributable to shareholders of the Company for the current period	2,674,676	2,415,926
Less: Declaration of dividends on ordinary shares (a)	1,243,417	1,051,050
Declaration of dividends on perpetual bonds (c)	322,339	249,309
Closing balance (b) (c)	17,312,824	13,897,815

- (a) In accordance with the resolution at the 2016 annual general meeting of shareholders on 26 June 2017, a final cash dividend of RMB0.6 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,243,417,000. These dividends had been paid.
- (b) As at 30 June 2017, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB9,717,285,000 (as at 31 December 2016: RMB9,717,285,000).
- (c) Dividends on perpetual bond amounted to RMB322,339,000 for the current period (for the period ended 30 June 2016: RMB249,309,000). As at 30 June 2017, retained earnings contained no interests belong to the perpetual bond holders (as at 31 December 2016: nil).

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Operating revenue and operating costs

(1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	100,732,539	87,677,196	95,251,556	82,974,858
Other business	352,948	249,039	573,099	391,927
Total	101,085,487	87,926,235	95,824,655	83,366,785

(2) Operating revenue from the top five largest customers of the Group

The total amount of operating revenue from the top five largest customers of the Group is RMB4,645,921,000 (for the period ended 30 June 2016: RMB4,511,843,000), accounting for 4.60% of the total operating revenue of the Group (for the period ended 30 June 2016: 4.71%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	1,242,879	1.23
Party 2	1,236,250	1.22
Party 3	798,931	0.79
Party 4	697,705	0.69
Party 5	670,156	0.67
Total	4,645,921	4.60

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Taxes and levies

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Business tax	97,591	1,114,808
City construction and maintenance tax	139,706	53,794
Education surcharges	67,647	28,488
Land appreciation tax	328,341	478,197
Property tax	90,102	–
Land use tax	64,097	–
Stamp duty	67,569	–
Others	108,655	52,732
Total	963,708	1,728,019

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

52. Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	1,500	8,541
Employee compensation costs	312,704	266,526
Depreciation expenses	8,711	7,352
Travelling expenses	83,985	66,234
Office expenses	63,738	50,720
Transportation expenses	77,846	60,446
Advertising and sales service expenses	225,682	219,217
Others	65,193	55,534
Total	839,359	734,570

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

53. Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,175,544	2,058,110
Depreciation expenses	283,843	316,597
Travelling expenses	144,175	124,785
Office expenses	244,208	259,573
Lease rentals	32,612	60,029
Research and development expenses	1,155,698	895,050
Repairs and maintenance expenses	61,297	78,967
Amortization of intangible assets	91,556	93,813
Consulting expenses	81,659	68,729
Others	341,461	405,503
Total	4,612,053	4,361,156

54. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	2,650,806	2,594,069
Less: Capitalized interests	(970,802)	(1,025,087)
Less: Interest income	(407,941)	(502,131)
Exchange losses(gains)	122,180	(120,869)
Bank charges	123,904	188,060
Others	78,450	153,898
Total	1,596,597	1,287,940

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	1,097,279	1,227,550
Including: Accounts receivable bad debts (Note VII4(3))	392,273	1,044,040
Other receivables bad debts (Note VII8(3))	192,894	135,676
2. Impairment of inventories (Note VII9(2))	76,254	199,288
3. Impairment of long-term equity investments (Note VII14)	64,890	-
4. Impairment of fixed assets (Note VII16(8))	109,591	-
5. Impairment of construction in progress (Note VII17(3))	2,211	-
6. Impairment of intangible assets (Note VII19(1))	14,858	-
7. Impairment of goodwill (Note VII20(2))	141	547
8. Others	(3,835)	(4,230)
Total	1,361,389	1,423,155

56. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current period	Amount for the prior period
Losses arising on changes in fair value of financial assets designated as at FVTPL	(134)	(310)
Gains arising on changes in fair value of derivative financial liabilities	10,814	6,659
Total	10,680	6,349

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

57. 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	(70,135)	(153,156)
Investment income on disposal of long-term equity investments	63,379	439,014
Investment income from holding financial assets at FVTPL	4,531	6,549
Investment income from holding available-for-sale financial assets	12,823	16,974
Investment income on disposal of available-for-sale financial assets	—	2,608
Others	700	699
Total	11,298	312,688

58. 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
Total gains on disposal of non-current assets	43,698	54,806	43,698
Including: Gains on disposal of fixed assets	43,597	43,850	43,597
Gains on disposal of intangible assets	—	6,195	—
Income from penalty	30,331	8,671	30,331
Gains on inventory taking	6	22	6
Government grants other than those in relation to routine activities (a)	124,040	260,264	124,040
Approved unpayable balances	2,410	4,407	2,410
Others	51,767	59,768	51,767
Total	252,252	387,938	252,252

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Non-operating income (Continued)

(a) Government grants recognized in profit or loss other than those in relation to routine activities

All amounts in RMB'000

Government grants	Amount for the current period	Amount for the prior period	Related to assets or income
Project for requisition of houses on Shuangbei Tunnel State-owned Land	15,974	-	Related to income
Retirement Subsidy to honorable retired staff and retirees from the Ministry of Science prior to system transformation	15,161	6,700	Related to income
Tongluotai Real Estate Project Subsidy	10,000	-	Related to income
Tax Return by Baoshan Luodian Development Zone	10,000	8,406	Related to income
Financial Incentives of Support Fund for Enterprises	3,360	10,860	Related to income
Subsidy for rural reconstruction in Chongqing Dadukou district	3,189	2,484	Related to income
Supporting Fund for Enterprises	2,649	609	Related to income
Infrastructure construction funds of Administration Committee of Changchun Culture Printing Industry Development Zone	2,200	-	Related to income
VAT Refunds to Enterprises due to Comprehensive Use of Resources	2,135	-	Related to income
Technology Innovation Funds in the Special Industry Fund Account	1,819	-	Related to income
Others	57,553	231,205	Related to income
Total	124,040	260,264	/

59. 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
Losses on disposal of non-current assets	7,687	10,680	7,687
Including: Losses on disposal of fixed assets	7,627	10,665	7,627
Losses on disposal of intangible assets	8	15	8
Non-recurring losses	451	2,155	451
Fines and surcharges for overdue payments	18,435	13,321	18,435
Compensation and default payments	44,194	6,116	44,194
Others	15,397	21,332	15,397
Total	86,164	53,604	86,164

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

60. 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	1,215,352	1,084,000
Deferred tax expenses	(158,995)	(334,763)
Total	1,056,357	749,237

(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	3,974,212	3,576,401
Income tax expenses calculated at the statutory tax rate (25%)	993,553	894,100
Effect of difference between applicable tax rate and statutory tax rate	(339,614)	(225,209)
Income not subject to tax	(68,533)	(67,359)
Expenses not deductible for tax purposes	101,703	109,568
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(145,271)	(236,995)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	539,831	477,548
Others	(25,312)	(202,416)
Income tax expenses	1,056,357	749,237

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

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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. 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	156,579	1,216
Less: Income tax effects on re-measurement of defined benefit obligations	10,401	25
Subtotal	146,178	1,191
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	(8,995)	(102,217)
Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current period	—	3,705
Less: Income tax effects on available-for-sale financial assets	(2,062)	(26,124)
Subtotal	(6,933)	(79,798)
2. Share of the investee's other comprehensive income under equity method	(142)	—
Less: Effect of income tax incurred by share of the investee's other comprehensive income under equity method	—	—
Subtotal	(142)	—
3. Exchange differences on translating foreign operations	(77,394)	9,688
Less: Income tax effects on the exchange differences on translating foreign operations	(1,704)	(4,051)
Subtotal	(75,690)	13,739
Total	63,413	(64,868)

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. 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	458,042	673,456
Interest income	242,256	228,367
Recovery of receivables	318,501	207,437
Government grants received	218,843	298,110
Others	58,849	198,618
Total	1,296,491	1,605,988

(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	4,919,964	2,544,240
Research and development expenses	653,813	396,603
Payments for retirement benefits	233,740	246,390
Travelling expenses	228,160	191,019
Office expenses	307,946	310,293
Utility expenses	631,442	622,285
Repair and maintenance expenses	93,094	78,967
Advertising and media services expenses	225,682	219,217
Settlements for payables	210,950	236,837
Others	595,591	163,431
Total	8,100,382	5,009,282

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. 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
Cash receipts on interest incomes of receivables and financial investments	91,219	114,876
Cash receipts from asset-related government grants	57,651	2,862
Total	148,870	117,738

(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	90,956	663,759
Total	90,956	663,759

(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	1,204,680
Total	1,138,273	1,204,680

(6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Settlements of finance lease obligations	153,231	81,355
Transactions with minority shareholders	5,000	–
Total	158,231	81,355

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary information of the cash flow statements

(1) Supplementary information of the cash flow statements

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities :		
Net profit	2,917,855	2,827,164
Add: Provision for impairment losses of assets	1,361,389	1,423,155
Depreciation of fixed assets and amortization of investment properties	1,310,043	1,356,174
Amortization of intangible assets	187,327	177,780
Amortization of long-term prepayments	34,514	26,513
Gains on disposal of fixed assets, intangible assets and other long-term assets	(36,011)	(44,126)
Losses on written-off of fixed assets	73	-
Gains on changes in fair values	(10,680)	(6,349)
Financial expenses	1,710,965	1,333,237
Losses arising from investments	(11,298)	(283,021)
Increase in deferred tax assets	(167,660)	(350,023)
Increase in deferred tax liabilities	8,665	15,260
Increase in inventories	(8,532,897)	(8,891,990)
Increase in receivables from operating activities	(453,135)	(3,066,691)
Increase (decrease) in payables from operating activities	(12,519,022)	2,633,548
Net cash flows from operating activities	(14,199,872)	(2,849,369)
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	35,420,291	30,727,789
Less: Opening balance of cash	38,711,911	28,736,378
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net increase (decrease) in cash and cash equivalents	(3,291,620)	1,991,411

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Supplementary information of the cash flow statements (Continued)

(2) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	35,420,291	38,711,911
Including: Cash on hand	24,038	24,201
Bank deposits without restriction	33,110,259	36,613,768
Other monetary funds without restriction	2,285,994	2,073,942
II. Cash equivalents	—	—
III. Closing balance of cash and cash equivalents	35,420,291	38,711,911
Including: Cash and cash equivalents of the Company or within the Group with restriction	—	—

64. Assets with title restrictions

All amounts in RMB'000

Items	Closing book value	Reasons
Cash and bank balances	95,700	Pledge
Cash and bank balances	4,917,506	Freeze/Control
Bills receivable	346,047	Pledge
Bills receivable	452,897	Endorsed or discounted
Accounts receivable	1,271,914	Pledge
Inventories	10,497,732	Mortgage
Investment properties	597,690	Mortgage
Fixed assets	882,415	Mortgage
Fixed assets	184,549	Other-Freeze
Intangible assets	238,555	Mortgage
Intangible assets	87,853	Other-Freeze
Total	19,572,858	/

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Foreign currencies denominated items

(1) Foreign currencies denominated items

All amounts in RMB'000

Items	Foreign currency at the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances			5,177,764
Including: USD	516,834	6.7744	3,501,242
EUR	12,808	7.7496	99,255
AUD	52,542	5.2099	273,736
HKD	589	0.8679	511
RMB	333,212	1.0000	333,212
Others	/	/	969,808
Interests receivable			411,543
Including: USD	55,814	6.7744	378,109
AUD	3,767	5.2099	19,627
Others	/	/	13,807
Accounts receivable			1,405,228
Including: USD	137,217	6.7744	929,563
AUD	1,000	5.2099	5,209
Others	/	/	470,456
Other receivables			2,422,788
Including: USD	218,760	6.7744	1,481,965
EUR	648	7.7496	5,018
AUD	129,275	5.2099	673,512
RMB	146,297	1.0000	146,297
Others	/	/	115,996
Short-term borrowings			1,329,050
Including: USD	160,759	6.7744	1,089,048
Others	/	/	240,002
Accounts payable			475,768
Including: USD	11,987	6.7744	81,207
EUR	2,056	7.7496	15,935
RMB	117,163	1.0000	117,163
Others	/	/	261,463
Other payables			9,204,937
Including: USD	216,920	6.7744	1,469,504
EUR	102	7.7496	790
AUD	39,096	5.2099	203,687
RMB	7,237,811	1.0000	7,237,811
Others	/	/	293,145
Long-term borrowings			2,980,635
Including: USD	437,000	6.7744	2,960,413
Others	/	/	20,222

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

65. Foreign currencies denominated items (Continued)

(2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Ltd.	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.

66. Government grants

(1) General information

All amounts in RMB'000

Category	Amount received in current period	Items presented	Amount recognized in current profit or loss
Government grants in relation to assets	57,651	Deferred income/related costs and expenses	28,151
Government grants in relation to income	218,843	Deferred income/related costs and expenses/non-operating income	221,273
Total	276,494	/	249,424

(2) During this period, there is no return of government grants.

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
Ningcheng County HongDa Mining Co., Ltd.	N/A	N/A	The Group lost control based on the rules of procedures specified in the Articles of Association of the company	2017-01-01	The date of actual loss of control	62,867	54.00	-	-	-	N/A	-

The Group achieved gains of RMB62,867,000 arising on losing control of above company, which was presented in investment income in the consolidated financial statements(Note VII57). The Group achieved no cash inflows arising on losing control of above company.

2. Other reasons of the change for scope of consolidation

Except for above disposal of subsidiaries, there were no significant changes of the scope of consolidation for the current period except for the newly incorporated MCC Rail Transit Co., Ltd. and MCC Zhongyuan Construction Investment Co., Ltd.

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Details of subsidiaries of the Group:

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	87.81	-	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	91.26	-	Invested by shareholders
China MCC 3 Group Co., Ltd.	China	Anshan	Engineering contracting	100.00	-	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	China	Shenyang	Investigation, design	100.00	-	Invested by shareholders
MCC Overseas Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
MCC Communication Construction Group Co., Ltd.	China	Beijing	Infrastructure contractor	100.00	-	Invested by shareholders
MCC International Incorporation Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
Ramu NiCo Management (MCC) Limited	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	-	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	13.56	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	-	Invested by shareholders
MCC-JJJ Mining Development Company Limited	China	Beijing	Resource development	67.02	-	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	87.00	-	Invested by shareholders
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	China	Beijing	Design, service	100.00	-	Invested by shareholders
MCC Real Estate Group Co., Ltd.	China	Beijing	Property development	100.00	-	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Engineering contracting	100.00	-	Invested by shareholders
MCC TianGong Group Corporation Limited	China	Tianjin	Engineering contracting	98.53	-	Invested by shareholders
China 22MCC Group Co., Ltd.	China	Tangshan	Engineering contracting	100.00	-	Invested by shareholders
China ENFI Engineering Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
China Second Metallurgical Group Corporation Limited	China	Baotou	Engineering contracting	100.00	-	Invested by shareholders
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 Corporation 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)

Details of subsidiaries of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
CISDI Group Co., Ltd.	China	Chongqing	Design, service	100.00	-	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Engineering contracting	98.58	-	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Engineering contracting	100.00	-	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Engineering contracting	100.00	-	Invested by shareholders
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	China	Wuzhou	Infrastructure investment	100.00	-	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Engineering contracting	69.00	-	Invested by shareholders
Shanghai Baoye Group Corp., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC China		Maanshan	EPC	85.10	-	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Maanshan	Engineering contracting	72.39	-	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.34	Invested by shareholders
Wuhan Iron and Steel Design & Research Incorporation Limited	China	Wuhan	Design, service	100.00	-	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	82.56	-	Invested by shareholders
China First Metallurgical Group Co., Ltd.	China	Wuhan	Engineering contracting	93.07	-	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	92.61	-	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	China	Wuhan	Investigation, design	100.00	-	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	China	Xi'an	Metallurgy equipment manufacture	71.47	-	Invested by shareholders
MCC Mining (Western Australia) Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Holding (Hong Kong) Corporation Limited	China	Hong Kong	Others	100.00	-	Established through investments
MCC Financial Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Northeast Construction & Development Co., Ltd.	China	Shenyang	Engineering contracting	100.00	-	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	-	Established through investments
MCC South China Construction and 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	Zhennzhou	Engineering contracting	100.00	-	Established through investments

Note: Except for the Company, MCC Holding (Hong Kong) Corporation Limited, and MCC Real Estate Group Co., Ltd., other subsidiaries have not issued any bonds. None of the subsidiaries of the Company have issued share capital.

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	The equity interest of other shareholders is scattered and of small proportion.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	The Group has control right based on the rules of procedures specified in the Articles of Association of the company.
Shenzhen Qianhai Public Safety Science Research Institute Co., Ltd	45.00	The Group has control right based on the rules of procedures specified in the Articles of Association of the company.
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, recongnized as a joint venture
Wuhan MCC Xianglong Chuanhe 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
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(Notes IX3(1))
Sichuan Xinyejieda Air-conditioning Technology Co., Ltd.	60.00	Under liquidation procedure
Beijing New Century Hotel Co., Ltd.	60.00	Each shareholder has a veto right, recognized as a joint venture
Guizhou Ziwan Highway Construction Co., Ltd.	59.96	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX3(1))
Guizhou Sanli Highway Construction Co., Ltd.	59.95	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX3(1))
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 IX3(1))
Maanshan MCC Huaxin Water Environment Management Co., Ltd	55.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Ningcheng County HongDa Mining Co., Ltd.	54.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Zuhai 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

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(2) Material non-controlling interests

All amounts in RMB'000

Company name	Proportion of equity interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests in the current year	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the year
China First Metallurgical Group Co., Ltd.	6.93	14,083	–	1,555,519
WISDRI Engineering & Research Incorporation Limited	17.44	61,194	–	1,476,634
China MCC 20 Group Co., Ltd.	31.00	40,657	–	1,327,836
China MCC 17 Group Co., Ltd.	27.61	69,206	–	922,624
MCC Capital Engineering & Research Incorporation Limited	13.00	(20,292)	43,750	784,898

(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.

(3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Company name	Closing balance						Opening balance (Restated)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China First Metallurgical Group Co., Ltd. (Note)	18,054,668	3,127,180	21,181,848	15,665,181	1,116,948	16,782,129	17,517,819	2,684,269	20,202,088	14,722,086	1,233,595	15,955,681
WISDRI Engineering & Research Incorporation Limited	10,824,790	3,795,909	14,620,699	8,658,618	128,221	8,786,839	11,595,617	3,328,468	14,924,085	9,172,945	142,760	9,315,705
China MCC 20 Group Co., Ltd. (Note)	25,607,132	2,487,781	28,094,913	23,260,009	531,015	23,791,024	26,242,957	2,046,261	28,289,218	23,276,844	693,466	23,970,310
China MCC 17 Group Co., Ltd.	13,364,853	2,094,440	15,459,293	11,343,143	785,854	12,128,997	12,396,742	1,643,304	14,040,046	10,209,622	844,839	11,054,461
MCC Capital Engineering & Research Incorporation Limited	11,844,468	3,072,176	14,916,644	10,568,385	50,877	10,619,262	11,195,892	3,343,671	14,539,563	10,144,447	58,541	10,202,988

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Summarized financial information of subsidiaries with material non-controlling interests (Continued)

All amounts in RMB'000

Company name	Amount for the current year				Amount for the prior year (Restated)			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
China First Metallurgical Group Co., Ltd. (Note)	7,641,223	157,618	153,312	(114,182)	6,542,194	149,423	117,308	(800,606)
WISDRI Engineering & Research Incorporation Limited	3,781,516	225,488	225,458	19,705	3,761,183	233,785	233,786	644,378
China MCC 20 Group Co., Ltd. (Note)	6,857,022	157,904	124,750	(788,757)	9,831,046	394,232	411,903	(219,472)
China MCC 17 Group Co., Ltd.	8,278,707	250,611	253,094	78,669	6,550,930	213,893	213,961	(573,993)
MCC Capital Engineering & Research Incorporation Limited	2,651,359	4,353	4,556	(217,953)	2,808,431	77,519	77,519	(6,650)

Note: The opening balance and the amount for the prior year of China First Metallurgical Group Co., Ltd. and China MCC 20 Group Co., Ltd. were restated because of business combination under common control in the current period.

2. Transactions causing the changes of the equity of the subsidiaries attributable to the owners of the Company but the control of the subsidiaries is still retained by the Group

(1) Description of changes in share of subsidiaries' owners' equity of subsidiaries

In this period, subsidiary of the Company Huatian Engineering & Technology Corporation, MCC ("MCC Huatian") acquired 10% minority interests of its subsidiary Maanshan MCC Huachen Real Estate Co., Ltd.. After the acquisition, shareholding by MCC Huatian increased from 90% to 100%.

(2) Impact from the transactions on minority interests and owners' equity attributable to the Company

All amounts in RMB'000

	Huatian Engineering & Technology Corporation, MCC
Acquisition cost	
– Cash	5,000
– Fair value of non-cash assets	–
Total cost	5,000
Less: Share of subsidiaries' net assets calculated based on shareholding percentage acquired	7,348
Difference	(2,348)
Including: Adjustment on capital reserve	(2,348)

IX INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates

(1) Details of the Group's material joint ventures and associates

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		Accounting method
				Direct	Indirect	
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.96	-	Equity method
Guizhou Sanli Highway Construction Co., Ltd.	China	Buyi and Miao Autonomous Prefecture of Qiannan	Highway investment and development	59.95	-	Equity method
Tianjin Zhongji Equipment Manufacture Co., Ltd.	China	Tianjin	Equipment manufacture and installation	50.00	-	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Integrated pipe network construction and operation	70.00	-	Equity method
Guizhou Sanshi Highway Construction Co., Ltd.	China	Miao and Dong Autonomous Prefecture of Qiandongnan	Highway investment and development	59.90	-	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Manufacturing	50.00	-	Equity method
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	China	Yingkou	Equipment design and manufacture	48.96	-	Equity method
Nanjing Ming's Culture Co., Ltd.	China	Nanjing	Cultural communication	49.18	-	Equity method
Tianjin Tuanbo Urban Development Co., Ltd.	China	Tianjin	Property development	30.00	-	Equity method
Yuxi Dongye Sponge City Construction and Operation Co., Ltd.	China	Yuxi	Project construction and operation management	20.69	-	Equity method

The Group has no significant interests in any single joint venture or associate above.

IX INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Assigned director to the board of directors of the entity
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	18.89	Assigned director to the board of directors of the entity
Changsha Happy Ocean Park Co., Ltd.	16.00	Assigned director to the board of directors of the entity
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Assigned director to the board of directors of the entity
Changchun Runde Investment Group Limited	13.54	Assigned director to the board of directors of the entity
Jiayang MCC Xiongzhou City Development Co., Ltd.	11.00	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 Quangang MCC Tianfeng Project Management 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
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jiayang Tianshun Traffic Investment Co., Ltd	10.00	Assigned director to the board of directors of the entity
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd	10.00	Assigned director to the board of directors of the entity

(ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Shanghai Xinpu Transportation Co., Ltd.	40.00	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Tangshan Stainless Steel Co., Ltd.	23.89	
Shanghai Clear Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation	20.00	
Jiangsu Heavy Industry Co., Ltd.		
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	

IX INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures and associates *(Continued)*

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	Closing balance/ amount recognized in the current period	Opening balance/ amount recognized in the prior period
Joint ventures:		
Total carrying amount	2,398,774	1,320,666
The Group's share of the following items:		
– Net profit	(32,140)	(32,967)
– Other comprehensive income	–	–
– Total comprehensive income	(32,140)	(32,967)
Associates:		
Total carrying amount	4,331,698	3,842,819
The Group's share of the following items:		
– Net profit	(37,995)	(120,189)
– Other comprehensive income	(142)	–
– Total comprehensive income	(38,137)	(120,189)

- (3)* In the reporting period, there are no significant restrictions on the realization of long-term equity investments, or on the remittance of cash arising from the investment income in joint ventures and associates.

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including short-term borrowings, long-term borrowings, bonds payable and finance lease payables) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 30 June 2017 and 31 December 2016 are as follows:

All amounts in RMB'000

Items	30 June 2017	31 December 2016
Total borrowings:		
Short-term borrowings (<i>Note VII 24</i>)	55,313,105	49,740,440
Long-term borrowings (inclusive of those due within one year) (<i>Note VII 36</i>)	35,792,056	30,203,376
Bonds payable (inclusive of those due within one year) (<i>Note VII 37</i>)	13,403,209	14,998,725
Finance lease payables (inclusive of those due within one year) (<i>Note VII 38</i>)	653,303	543,025
Less: Cash and cash equivalents (<i>Note VII 63(2)</i>)	35,420,291	38,711,911
Net debt	69,741,382	56,773,655
Shareholders' equity	91,283,575	83,107,703
Total capital	161,024,957	139,881,358
The gearing ratio	43.31%	40.59%

2. Financial instruments and risk management

The Group's operating activities expose to a variety of financial risks: market risk (mainly including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Market risk

(a) Foreign exchange risks

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 30 June 2017 are set out in Note VII 65.

As at 30 June 2017, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group the period ended 30 June 2017 would have been approximately RMB376,726,000 lower/higher (as at 31 December 2016: RMB333,560,000 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 6.

(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 2017, short-term borrowings of the Group were amounting to RMB55,313,105,000 (as at 31 December 2016: RMB49,740,440,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB3,203,854,000 (as at 31 December 2016: RMB3,663,356,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB16,076,271,000 (as at 31 December 2016: RMB13,080,119,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB5,062,945,000 (as at 31 December 2016: RMB9,845,925,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB25,505,498,000 (as at 31 December 2016: RMB18,612,701,000) (Notes VII 24, 34, 36, 37, 38).

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) **Market risk** *(Continued)*

(b) *Interest rate risk (Continued)*

(ii) *(Continued)*

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For the current reporting period and the period ended 30 June 2016, 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 RMB252,027,000 lower/higher (for the period ended 30 June 2016: approximately RMB214,007,000).

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 RMB36,012,000 lower/higher (for the period ended 30 June 2016: approximately RMB42,869,000).

(2) **Credit risk**

The Group classifies and manages the credit risk based on portfolios. The Group's credit risk primarily related to the Group's cash and bank balances, accounts receivable, other receivables, bills receivable and long-term receivables, etc.

A majority of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group holds the view that there is no significant credit risk and no significant impact on the operating results of the Group due to failure to discharge an obligation by the counterparties.

The Group has policies in place to control the credit risk of accounts receivables, other receivables, bills receivable and long-term receivables. The Group also has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

In addition, external guarantees incurred by the Group may also result in financial losses. As at 30 June 2017, the amount of external guarantees refer to note XIII2(1)(b).

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(3) Liquidity risk

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

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 30 June 2017 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash and bank balances	40,433,497	-	-	-	40,433,497
Bills receivable	15,754,384	-	-	-	15,754,384
Accounts receivable	69,407,409	-	-	-	69,407,409
Interests receivable	21,050	-	-	-	21,050
Dividends receivable	47,337	-	-	-	47,337
Other receivables	36,029,671	-	-	-	36,029,671
Non-current assets within one year	3,636,690	-	-	-	3,636,690
Long-term receivables	188,561	6,020,715	5,413,004	1,488,127	13,110,407
Total	165,518,599	6,020,715	5,413,004	1,488,127	178,440,445
Financial liabilities					
Short-term borrowings	56,463,298	-	-	-	56,463,298
Derivative financial liabilities	6,629	-	-	-	6,629
Bills payable	16,966,056	-	-	-	16,966,056
Accounts payable	113,160,189	-	-	-	113,160,189
Employee benefits payable	1,987,856	-	-	-	1,987,856
Interests payable	616,106	-	-	-	616,106
Dividends payable	1,986,388	-	-	-	1,986,388
Other payables	19,736,940	-	-	-	19,736,940
Non-current liabilities within one year	8,796,822	-	-	-	8,796,822
Long-term borrowings	1,379,432	23,596,540	5,910,342	4,654,560	35,540,874
Bonds payable	453,616	6,448,409	3,970,533	-	10,872,558
Long-term payables	3,752	341,344	175,849	429,445	950,390
External guarantee (excluding real estate bank mortgage guarantee)	153,000	-	-	-	153,000
Total	221,710,084	30,386,293	10,056,724	5,084,005	267,237,106

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(4) Transfer of financial assets

Details are set out in Note VII3(3), VII4(6), VII8(7), VII13(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 the end of the period			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	910	–	–	910
1. Held-for-trading financial assets	910	–	–	910
(1) Equity instruments	910	–	–	910
(II) Available-for-sale financial assets	427,599	1,506,305	–	1,933,904
(1) Equity instruments	427,599	–	–	427,599
(2) Investment in private funds	–	1,506,305	–	1,506,305
Total assets that are measured at fair value on a recurring basis	428,509	1,506,305	–	1,934,814
(III) Derivative financial liabilities-forward exchange contracts	–	6,629	–	6,629
Total liabilities that are measured at fair value on a recurring basis	–	6,629	–	6,629

2. The basis of market prices determined on level 1 of the fair value hierarchy

The fair values of equity instruments is 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
Derivative financial liabilities – forward contracts	Discounted cash flow method	Forward rate
Available-for-sale financial assets – private funds	Discounted cash flow method	Average yield rate of similar products of the same term

4. There was no transfer between any levels of the fair value hierarchy in the reporting period.

5. There was no change in the valuation techniques in the reporting period.

XI. FAIR VALUE MEASUREMENTS (Continued)

6. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis

Receivables, long-term receivables, non-current assets due within one year, short-term borrowings, payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are measured at fair value on a non-recurring basis.

The Group considers that the fair value of its unlisted equity investments in available-for-sale financial assets cannot be measured reliably since the range of reasonable fair value estimates is so significant and the probability of each fair value estimate cannot be assessed reliably. Therefore the Group measures the investments at cost method.

Except for the items listed in the table below, the Group considers that the fair values of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Carrying amount as at 30 June 2017	Fair value as at 30 June 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:	25,190,341	-	25,436,785	-	25,436,785
1. Long-term borrowings at fixed interest rate	15,168,944	-	15,324,225	-	15,324,225
2. Bonds payable at fixed interest rate	10,021,397	-	10,112,560	-	10,112,560

All amounts in RMB'000

	Carrying amount as at 31 December 2016	Fair value as at 31 December 2016			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	18,612,701	-	19,303,235	-	19,303,235
1. Long-term borrowings at fixed interest rate	11,958,701	-	12,148,784	-	12,148,784
2. Bonds payable at fixed interest rate	6,654,000	-	7,154,451	-	7,154,451

Quantitative information determined in accordance with the level 2:

	Valuation techniques	Key inputs
Long-term borrowings at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China
Bonds payable at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China

XII. RELATED PARTIES AND TRANSACTIONS

1. Details of the parent company of the Company

All amounts in RMB'000

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership 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

Related party transactions between the Company and CMGC also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX1.

3. Principal joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in Note IX3.

Joint ventures and associates entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	Joint venture
Beijing Tiancheng Guyun Property Management Co., Ltd.	Joint venture
Fuzhou MCC Infrastructure Investment Co., Ltd.	Joint venture
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Guizhou Sanli Highway Construction Co., Ltd.	Joint venture
Guizhou Sanshi Highway Construction Co., Ltd.	Joint venture
Guizhou Ziwang Highway Construction Co., Ltd.	Joint venture
Haikou Wuye Urban Construction Engineering Management Co., Ltd.	Joint venture
Hebei MCC Mingrun Real Estate Development 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

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
Meizhou MCC Road Construction and Development Co., Ltd.	Joint venture
Ningcheng County HongDa Mining Co., Ltd.	Joint venture
Sichuan Guotai High – tech Pipe Network Investment Co., Ltd.	Joint venture
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	Joint venture
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint venture
Zhongye Tap Water (Zhumadian) Co., Ltd.	Joint venture
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Joint venture
Jianyang MCC Xiongzhou City Development Co., Ltd.	Joint venture
Maanshan MCC Huaxin Water Environment Management Co., Ltd.	Joint venture
RCC/MCC JOINT VENTURE	Associate
SL-GV-MCC PTE LTD.	Associate
Baiyin Integrated Pipe Network Management Co., Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Beijing Zhongye HengSheng Real Estate Co., Ltd.	Associate
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Associate
Guizhou MCC Infrastructure Investment Co., Ltd.	Associate
Harbin Shuangqi Environmental Resources Co., Ltd.	Associate
Handan Guorui Construction Engineering Management Co., Ltd.	Associate
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Associate
Hohhot Metallurgical Construction Co., Ltd.	Associate
Huai'an Huaguang Construction Investment Co., Ltd.	Associate
Jianyang Tianshun Traffic Investment Co., Ltd.	Associate
Jingmen Metallurgical Construction Co., Ltd.	Associate
Kunming Shijiu Investment Co., Ltd.	Associate
Luzhou MCC City Construction Development Co., Ltd.	Associate
Maanshan MCC High – tech Construction Co., Ltd.	Associate
Maanshan Golden Tourism Investment Co., Ltd.	Associate
Maanshan MCC Economic Development Company Ltd.	Associate
Maanshan MCC Putang Construction Co., Ltd.	Associate
Mudanjiang MCC Real Estate Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co. Ltd.	Associate
Nanjing Zhongkang Construction and Development Co., Ltd.	Associate
Nanjing MCC Zecheng Construction Co., Ltd.	Associate
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Associate
Panzhihua MCC Urban Construction Development Co., Ltd.	Associate
Puyang MCC Longhu Construction and Development Co., Ltd.	Associate
Quanzhou Quangang MCC Tianfeng Project Management Co., Ltd.	Associate
Renqiu MCC Infrastructure 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
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 Zhihu Real Estate Co., Ltd.	Associate
Shanghai MCC Jiahe Real Estate Co., Ltd.	Associate
Shanghai MCC Xiangqi Investment Co., Ltd.	Associate
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
Sichuan HangYe Industrial Co., Ltd.	Associate
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
Si County MCC Construction Investment Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Associate
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Associate
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Tianjin MCC Jincheng Real Estate Co., Ltd.	Associate
Tianjin MCC Jinyu Real Estate Co., Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associate
Wuhan Hanwei Refining Engineering Co., Ltd.	Associate
Wuhan Zhonghe Engineering Technique Co., Ltd.	Associate
Wuhan MCC Xin'ao Property Management Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Xiangtan Bridge Project Management Co., Ltd.	Associate
Xiangtan MCC Jianxin Project Management Co., Ltd.	Associate
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	Associate
MCC Suzhou SUMA Construction Development Co., Ltd.	Associate
CERI Yingkou Construction Development Co., Ltd.	Associate
Yuechi MCC Tiantai Construction Co., Ltd.	Associate
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Associate
Changchun Runde Investment Group Limited	Associate
Zhejiang MCC Investment Management 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
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 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 Wansheng Xihua Road Construction Co., Ltd.	Associate
Chongqing Xinlian Steel Equipment Technique Co., Ltd.	Associate
Chongqing Beifei Shiping Infrastructure Construction Co., Ltd.	Associate
Chengde MCC Construction and Development Co., Ltd.	Associate
Wuhan Yangluo Heart Construction Development Co., Ltd.	Associate
Helong Longde Municipal Facilities Management Co., Ltd.	Associate
Mianyang MCC Three Highway Development Co., Ltd.	Associate
Anyang MCC Pu'an Highway Engineering Co., Ltd.	Associate
Changsha Happy Ocean Park Co., Ltd.	Associate
Maanshan Jiahe Investment Management Co., Ltd.	Associate
Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	Associate
Xiangyang First Metallurgical Dongyuan Island Landscape Construction and Management Co., Ltd.	Associate
Jiangsu Rongqun Construction and Development Co., Ltd.	Associate
Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	Associate
Xiangtan Wanfeng Development and Construction Co., Ltd.	Associate

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 Huludao Nonferrous Metals Group Co., Ltd.	Under common control by CMGC
MCC Asset Management Co., Ltd.	Under common control by CMGC
Subsidiaries of MCC Huludao Nonferrous Metals Group Co., Ltd.:	
Huludao Zinc Industry Co., Ltd.	Under common control by CMGC
Subsidiaries of MCC Asset Management Co., Ltd.:	
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Under common control by CMGC
Beijing China Metallurgical Construction Taxi Company	Under common control by CMGC
Subsidiaries of Beijing Dongxing Metallurgical New-Tech & Development Corp.:	
Handan Huaye Property Services Co., Ltd.	Under common control by CMGC
Handan Huaye New-type Building Material Co., Ltd.	Under common control by CMGC
Chengdu Hongqiang Property Management Co., Ltd.	Under common control by CMGC

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

5. Related party transactions

(1) Purchase or sales of goods, provision or receipt of services

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
With companies under common control:			
Handan Huaye New-type Building Materials Co., Ltd.	Purchase of goods	2,372	1,020
		1,476	–
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Receiving services	640	768
Beijing China Metallurgical Construction Taxi Company	Receiving services	183	176
Chengdu Hongqiang Property Management Co., Ltd.	Receiving services	73	76
With joint ventures and associates:			
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Receiving services	423,401	392,187
		404,354	318,517
Wuhan Hanwei Refining Engineering Co., Ltd.	Receiving services	4,142	–
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods	3,405	132
Shanghai Tongjibao Construction Robot Co., Ltd.	Purchase of goods	3,361	3,669
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods	3,011	53,374
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods	2,474	9,083
Beijing Tiancheng Guyun Property Management Co., Ltd.	Receiving services	2,151	–
Wuhan Zhonghe Engineering Technique Co., Ltd.	Receiving services	261	400
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Purchase of goods	242	6,694
Shanghai MCC Xiangqi Investment Co., Ltd.	Purchase of goods	–	318
Total		425,773	393,207

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:		6,792	–
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	6,792	–
With the joint ventures and associates:		6,117,721	507,043
Hohhot Metallurgical Construction Co., Ltd.	Providing services	670,156	–
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Providing services	403,742	–
Guizhou Ziwang Highway Construction Co., Ltd.	Providing services	378,391	–
Guizhou Sanli Highway Construction Co., Ltd.	Providing services	358,253	–
Meizhou MCC City Construction and Development Co., Ltd.	Providing services	281,305	–
Baiyin Integrated Pipe Network Management Co., Ltd.	Providing services	248,169	–
Si County MCC Construction Investment Co., Ltd.	Providing services	227,795	–
Guizhou Sanshi Highway Construction Co., Ltd.	Providing services	225,810	–
Meizhou MCC Road Construction and Development Co., Ltd.	Providing services	216,000	–
Chongqing Wansheng Xihua Road Construction Co., Ltd.	Providing services	206,928	–
Chengde MCC Construction and Development Co., Ltd.	Providing services	206,312	–
Nanjing Zhongkang Construction and Development Co., Ltd.	Providing services	189,206	–
Chongqing Beifei Shipping Infrastructure Construction Co., Ltd.	Providing services	156,237	–
Guizhou MCC Infrastructure Investment Co., Ltd.	Providing services	138,434	–
Luzhou MCC City Construction Development Co., Ltd.	Providing services	126,638	–
Wuhan Zhong Yi Investment Construction Company Ltd.	Providing services	117,770	334,374
Mianyang MCC Three Highway Development Co., Ltd.	Providing services	102,898	–
Tianjin MCC Jincheng Real Estate Co., Ltd.	Providing services	102,385	–
Suining Kaihong Construction Development Co., Ltd.	Providing services	100,750	–
Huai'an Huaguang Construction Investment Co., Ltd.	Providing services	100,004	–

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(1) Purchase or sales of goods, provision or receipt of services *(Continued)*

(b) Sales of goods and provision of services *(Continued)*

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Yuechi MCC Tiantai Construction Co., Ltd.	Providing services	95,966	–
Maanshan MCC Putang Construction Co., Ltd.	Providing services	88,202	–
Panzhuhua MCC Urban Construction Development Co., Ltd.	Providing services	87,055	–
Chongqing MCC 17 Group Construction Engineering Co., Ltd.	Providing services	82,734	–
Puyang MCC Longhu Construction and Development Co., Ltd.	Providing services	81,030	–
Nanjing MCC Zecheng Construction Co., Ltd.	Providing services	79,530	–
Chongqing Beimeng Project Management Limited Liability Company	Providing services	78,196	–
Renjiu MCC Infrastructure Construction Co., Ltd.	Providing services	75,817	–
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Providing services	73,820	–
Xiangtan MCC Jianxin Project Management Co., Ltd.	Providing services	72,421	–
Maanshan MCC High – tech Construction Co., Ltd.	Providing services	71,436	–
Wuhan MCC Lutheran Brothers Sun Donglin Engineering Technology Co., Ltd.	Providing services	64,386	–
Handan Guorui Construction Engineering Management Co., Ltd.	Providing services	62,733	–
Haikou Wuye Urban Construction Engineering Management Co., Ltd.	Providing services	61,257	–
Jianyang Tianshun Traffic Investment Co., Ltd.	Providing services	56,993	–
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Providing services	55,141	–
Nanjing Pukou Xingbao Construction Development Co. Ltd.	Providing services	53,972	–
Helong Longde Municipal Facilities Management Co., Ltd.	Providing services	51,380	–
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	Providing services	40,541	–
Chongqing Hengyi Engineering Project Management Co., Ltd.	Providing services	32,862	–

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(1) Purchase or sales of goods, provision or receipt of services *(Continued)*

(b) Sales of goods and provision of services *(Continued)*

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Fuzhou MCC Infrastructure Investment Co., Ltd.	Providing services	30,185	15,244
Xiangtan Bridge Project Management Co., Ltd.	Providing services	30,000	–
Tianjin Tuanbo Urban Development Co., Ltd.	Providing services	28,532	–
MCC Suzhou SUMA Construction Development Co., Ltd.	Providing services	21,282	61,717
CERI Yingkou Construction Development Co., Ltd.	Providing services	15,382	–
Wuhan Yangluo Heart Construction Development Co., Ltd.	Providing services	14,577	–
Sichuan Guotai High – tech Pipe Network Investment Co., Ltd.	Providing services	12,740	–
Maanshan MCC Economic Development Company Ltd.	Providing services	10,534	22,958
Quanzhou Quangang MCC Tianfeng Project Management Co., Ltd.	Providing services	9,009	–
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	Providing services	8,597	–
Changchun Runde Investment Group Limited	Providing services	6,415	–
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Providing services	5,321	–
Jianyang MCC Xiongzhou City Development Co., Ltd.	Providing services	925	–
Jingmen Metallurgical Construction Co., Ltd.	Providing services	517	–
Baotou MCC Real Estate Co., Ltd.	Providing services	363	554
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Selling goods	357	1,554
Kunming Shijiu Investment Co., Ltd.	Providing services	330	–
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Providing services	–	43,915
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Providing services	–	21,878
Tianjin SERI Machinery Equipment Corporation Ltd.	Providing services	–	4,600
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Providing services	–	249
Total		6,124,513	507,043

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 prior period
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	136	55
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Buildings and structures	–	1,380
Total		136	1,435

(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 <i>(note)</i>	Buildings and structures	18,826	21,123
Beijing Dongxing Metallurgical New-Tech & Development Corp. <i>(note)</i>	Buildings, structures and equipment	4,314	5,065
Total		23,140	26,188

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*

All amounts in RMB'000

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at the end of the period
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	90,000	2009-06-18	2017-12-10	No
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	63,000	2010-02-02	2017-12-02	No

(b) *Guarantees be granted*

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at the end of the period
China Metallurgical Group Corporation	1,474,050	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:				
Hebei MCC Mingrun Real Estate Development Co., Ltd.	500,000	2017-01-10	2018-01-09	General borrowing
Tianjin Mingjin MCC Real Estate Co., Ltd.	64,000	2017-01-25	2018-01-24	Entrusted loan
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	250,000	2017-02-24	2018-02-23	General borrowing
Tianjin MCC Jinyu Real Estate Co., Ltd.	130,000	2017-03-03	2018-03-02	General borrowing
Renqiu MCC Infrastructure Construction Co., Ltd.	25,000	2017-04-19	2017-12-17	General borrowing
Tianjin MCC Jinyu Real Estate Co., Ltd.	10,000	2017-06-10	2018-06-09	General borrowing
Jiayang Tianshun Traffic Investment Co., Ltd.	191,200	2017-06-20	2017-10-20	General borrowing
Tianjin SERI Machinery Equipment Corporation Ltd.	200,000	2017-06-30	2019-06-29	General borrowing
Total	1,370,200	/	/	/

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.35% to 6.60%.

(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	2,357	2,329

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related party	Amount for the current period	Amount for the prior period
Interest income	Guangzhou Zhongye Minghui Real Estate Co., Ltd.	43,258	–
Interest income	Hebei MCC Mingrun Real Estate Development Co., Ltd.	17,972	34,448
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	7,208	7,248
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	6,342	–
Interest income	Tianjin MCC Jinyu Real Estate Co., Ltd.	4,019	1,460
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	3,607	7,906
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	2,851	2,867
Interest income	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	2,567	–
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	2,298	31,381
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	1,097	–
Interest income	Sichuan HangYe Industrial Co., Ltd.	–	10,710
Interest income	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	–	7,065
Interest income	Wuhan Zhong Yi Investment Construction Company Ltd.	–	6,701
Interest income	Shanghai Zhihu Real Estate Co., Ltd.	–	3,369
Interest income	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	–	1,721
Total interest income		91,219	114,876
Interest expenses	China Metallurgical Group Corporation	10,997	10,833
Total interest expenses		10,997	10,833

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties

(1) Receivables

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Guizhou Ziwang Highway Construction Co., Ltd.	256,529	-	28,310	-
Accounts receivable	Meizhou MCC City Construction and Development Co., Ltd.	227,756	-	-	-
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	142,372	531	144,889	277
Accounts receivable	Hebei MCC Mingrun Real Estate Development Co., Ltd.	121,409	6,070	200,157	-
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	119,280	5,637	130,570	8,489
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	112,319	4,605	112,354	4,003
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	68,145	11,919	48,231	10,931
Accounts receivable	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	56,011	18,781	62,352	12,370
Accounts receivable	Nanjing Pukou Xingbao Construction Development Co. Ltd.	53,972	2,699	-	-
Accounts receivable	Fuzhou MCC Infrastructure Investment Co., Ltd.	45,061	-	33,336	-
Accounts receivable	Chongqing MCC 17 Group Construction Engineering Co., Ltd.	40,947	-	11,584	-
Accounts receivable	Si County MCC Construction Investment Co., Ltd.	40,904	-	54,369	-
Accounts receivable	Yuechi MCC Tiantai Construction Co., Ltd.	39,554	-	-	-
Accounts receivable	Tianjin MCC Jincheng Real Estate Co., Ltd.	35,362	1,768	-	-
Accounts receivable	Wuhan Zhong Yi Investment Construction Company Ltd.	29,011	-	-	-
Accounts receivable	Guizhou Sanshi Highway Construction Co., Ltd.	19,988	221	73,646	3,198
Accounts receivable	Puyang MCC Longhu Construction and Development Co., Ltd.	19,983	1,000	-	-
Accounts receivable	Suining Kaihong Construction Development and Construction Co., Ltd.	19,724	-	-	-
Accounts receivable	Xiangtan MCC Jianxin Project Management Co., Ltd.	13,180	659	-	-
Accounts receivable	Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	12,740	-	-	-
Accounts receivable	Nanjing Zhongkang Construction and Development Co., Ltd.	10,448	522	13,078	-
Accounts receivable	Handan Guorui Construction Engineering Management Co., Ltd.	9,797	490	-	-
Accounts receivable	Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	9,712	691	9,712	486
Accounts receivable	Maanshan MCC Economic Development Company Ltd.	9,329	-	-	-

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	8,425	421	-	-
Accounts receivable	Guizhou MCC Infrastructure Investment Co., Ltd.	7,946	397	-	-
Accounts receivable	MCC Suzhou SUMA Construction Development Co., Ltd.	6,788	-	60	-
Accounts receivable	Maanshan Golden Tourism Investment Co., Ltd.	6,052	303	8,087	-
Accounts receivable	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	5,898	-	14,407	-
Accounts receivable	Xiangtan Bridge Project Management Co., Ltd.	4,545	227	-	-
Accounts receivable	Tianjin MCC Xinhua Real Estate Co., Ltd.	3,806	1,142	24,125	2,413
Accounts receivable	Shanghai Tongjibao Construction Robot Co., Ltd.	2,299	115	2,299	115
Accounts receivable	Ningcheng County HongDa Mining Co., Ltd.	2,103	803	-	-
Accounts receivable	Chongqing Beifei Shipping Infrastructure Construction Co., Ltd.	1,089	54	-	-
Accounts receivable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	822	731	148,238	42,489
Accounts receivable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	375	37	375	22
Accounts receivable	Harbin Shuangqi Environmental Resources Co., Ltd.	5	-	10,924	-
Accounts receivable	Shanghai United Automobile Road Construction Development Co., Ltd.	-	-	22,735	11,282
Accounts receivable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	-	-	250	-
Total		1,563,686	59,823	1,154,088	96,075

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	1,638,366	-	1,550,547	-
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,495,077	386,025	1,238,725	371,617
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	484,841	-	477,633	-
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,942	206,404	415,942	202,406
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	407,199	-	1,397,232	-
Other receivables	Jianyang MCC Xiongzhou City Development Co., Ltd.	369,000	18,450	-	-
Other receivables	Anyang MCC Pu'an Highway Engineering Co., Ltd	248,959	12,448	-	-
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	205,580	91,084	205,580	57,939
Other receivables	Tianjin SERI Machinery Equipment Corporation Ltd.	200,000	10,000	-	-
Other receivables	Jianyang Tianshun Traffic Investment Co., Ltd.	191,200	-	-	-
Other receivables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	167,203	-	-	-
Other receivables	Tianjin MCC Jinyu Real Estate Co., Ltd.	155,758	7,785	94,169	4,708
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	131,001	-	128,151	-
Other receivables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	112,225	-	92,135	-
Other receivables	Ningcheng County HongDa Mining Co., Ltd.	110,225	110,225	-	-
Other receivables	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	92,622	-	61,250	-
Other receivables	Mudanjiang MCC Real Estate Co., Ltd.	72,446	-	77,528	-
Other receivables	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	71,526	-	69,153	-
Other receivables	Tianjin Mingjin MCC Real Estate Co., Ltd.	65,593	-	-	-
Other receivables	Tianjin MCC Xinhua Real Estate Co., Ltd.	60,623	25,329	60,623	19,847
Other receivables	Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	57,570	2,879	57,570	2,879
Other receivables	Chongqing Taoye Yunxi Big Data Management Co., Ltd.	51,000	2,550	-	-
Other receivables	Renqiu MCC Infrastructure Construction Co., Ltd.	47,000	2,350	22,000	1,100
Other receivables	SL-GV-MCC PTE LTD	39,303	-	38,391	-
Other receivables	RCC/MCC JOINT VENTURE	36,819	-	-	-
Other receivables	Zhongye Tap Water (Zhumadian) Co., Ltd.	34,349	-	-	-
Other receivables	MCC Suzhou SUMA Construction Development Co., Ltd.	18,456	-	21,356	-

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	12,475	12,475	12,475	11,166
Other receivables	Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	12,174	609	14,258	713
Other receivables	Chongqing Wansheng Xihua Road Construction Co., Ltd.	9,625	963	-	-
Other receivables	Changsha Happy Ocean Park Co., Ltd.	6,400	320	-	-
Other receivables	Beijing Tiancheng Guyun Property Management Co., Ltd.	5,973	-	5,959	-
Other receivables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	2,780	139	2,780	139
Other receivables	Wuhan MCC Xin'ao Property Management Co., Ltd.	2,728	-	2,657	-
Other receivables	Maanshan MCC Economic Development Company Ltd.	2,701	-	299	-
Other receivables	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	1,938	-	1,938	-
Other receivables	Maanshan Jiahe Investment Management Co., Ltd.	1,689	84	-	-
Other receivables	Beijing Zhongye HengSheng Real Estate Co., Ltd.	1,545	-	1,545	-
Other receivables	Maanshan MCC High - tech Construction Co., Ltd.	1,345	3	22,080	-
Other receivables	Quanzhou Quangang MCC Tianfeng Project Management Co., Ltd.	1,102	55	-	-
Other receivables	Meizhou MCC Road Construction and Development Co., Ltd.	1,063	-	1,092	109
Other receivables	MCC-Huafa Integrated Pipe Network Co., Ltd.	1,000	-	1,000	-
Other receivables	Sichuan Guotai High - tech Pipe Network Investment Co., Ltd.	973	-	842	-
Other receivables	Shanghai Libo Labor Service Co., Ltd.	909	262	897	262
Other receivables	Hohhot Metallurgical Construction Co., Ltd.	821	41	-	-
Other receivables	Meizhou MCC City Construction and Development Co., Ltd.	761	-	178	9
Other receivables	Maanshan MCC Huaxin Water Environment Management Co., Ltd.	718	36	-	-
Other receivables	Chongqing Xinlian Steel Equipment Technique Co., Ltd.	594	105	594	105
Other receivables	Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	400	-	-	-
Other receivables	Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	193	-	-	-
Other receivables	Wuhan Yangluo Heart Construction Development Co., Ltd.	190	10	-	-

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Wuhan Hanwei Refining Engineering Co., Ltd.	176	134	176	93
Other receivables	Maanshan MCC Putang Construction Co., Ltd.	121	–	19	–
Other receivables	Maanshan Golden Tourism Investment Co., Ltd.	114	–	–	–
Other receivables	Wuhan MCC Lutheran Brothers Sun Donglin Engineering Technology Co., Ltd.	92	5	–	–
Other receivables	Xiangxi Zhongyi Tengda Project Management Co. Ltd.	77	4	–	–
Other receivables	Fuzhou MCC Infrastructure Investment Co., Ltd.	61	–	3	–
Other receivables	Chengde MCC Construction and Development Co., Ltd.	45	–	–	–
Other receivables	Baiyin Integrated Pipe Network Management Co., Ltd.	20	1	–	–
Other receivables	Xiangyang First Metallurgical Dongyuan Island Landscape Construction and Management Co., Ltd.	8	–	–	–
Other receivables	Jiangsu Rongqun Construction and Development Co., Ltd.	8	–	–	–
Other receivables	Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	3	–	–	–
Other receivables	Panzhuhua MCC Urban Construction Development Co., Ltd.	1	–	–	–
Other receivables	Guizhou Ziwang Highway Construction Co., Ltd.	–	–	170,000	–
Other receivables	Shanghai MCC Jiahe Real Estate Co., Ltd.	–	–	2,607	–
Other receivables	Shanghai United Automobile Road Construction Development Co., Ltd.	–	–	803	188
Other receivables	WISDRI (Xinyu) Cold Rolling New Material Technology Co., Ltd.	–	–	110	38
Total		7,050,706	890,775	6,250,297	673,318

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

6. Amounts due from/due to related parties *(Continued)*

(1) **Receivables** *(Continued)*

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Prepayments	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	211,500	-	208,709	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	28,780	-	27,492	-
Prepayments	Wuhan Hanwei Refining Engineering Co., Ltd.	19,355	-	23,497	-
Prepayments	Huludao Zinc Industry Co., Ltd.	7,759	-	2,916	-
Prepayments	Tianjin SERI Machinery Equipment Corporation Ltd.	1,788	-	5,771	-
Total		269,182	-	268,385	-
Dividends receivable	Ningcheng County HongDa Mining Co., Ltd.	51,827	51,827	-	-
Dividends receivable	Tianjin Tuanbo Urban Development Co., Ltd.	18,000	-	18,000	-
Dividends receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	-	17,097	-
Dividends receivable	Wuhan Zhonghe Engineering Technique Co., Ltd.	680	-	-	-
Total		87,604	51,827	35,097	-
Long-term receivables	Chongqing Beimeng Project Management Limited Liability Company	175,290	-	175,290	-
Total		175,290	-	175,290	-
Non-current assets due within one year	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	-	-	250,000	-
Total		-	-	250,000	-

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Accounts payable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	66,203	272,868
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	25,310	31,164
Accounts payable	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	12,423	19,065
Accounts payable	Shanghai Tongjibao Construction Robot Co., Ltd.	2,958	2,743
Accounts payable	Beijing Tiancheng Guyun Property Management Co., Ltd.	1,751	–
Accounts payable	Tianjin SERI Machinery Equipment Corporation Ltd.	1,435	5,188
Accounts payable	Wuhan Zhonghe Engineering Technique Co., Ltd.	863	903
Accounts payable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	37	37
Total		110,980	331,968
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	China Metallurgical Group Corporation	108,222	109,328
Other payables	Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	100,000	–
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,471	–
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Corp.	54,408	35,820
Other payables	Shanghai MCC Jiahe Real Estate Co., Ltd.	32,311	–
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	23,212	23,512
Other payables	Meizhou MCC City Construction and Development Co., Ltd.	20,000	40,003
Other payables	Tianjin SERI Machinery Equipment Corporation Ltd.	18,850	–
Other payables	Shanghai United Automobile Road Construction Development Co., Ltd.	4,000	–
Other payables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	3,190	3,190
Other payables	Shanghai Libo Labor Service Co., Ltd.	1,866	2,466
Other payables	Handan City Huaye Property Service Co., Ltd.	1,726	1,596
Other payables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	1,532	63
Other payables	Zhongye Tap Water (Zhumadian) Co., Ltd.	1,190	16,431
Other payables	Maanshan MCC Economic Development Company Ltd.	900	900
Other payables	MCC Asset Management Co., Ltd.	812	4,629

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

6. Amounts due from/due to related parties *(Continued)*

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Other payables	Tianjin MCC Xinhua Real Estate Co., Ltd.	500	–
Other payables	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	220	–
Other payables	Sichuan Guotai High – tech Pipe Network Investment Co., Ltd.	200	–
Other payables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	185	704,888
Other payables	Puyang MCC Longhu Construction and Development Co., Ltd.	76	8,857
Other payables	Wuhan Hanwei Refining Engineering Co., Ltd.	29	9
Other payables	Zhejiang MCC Investment Management Co., Ltd.	10	10
Other payables	Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	3	3
Other payables	Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	–	32,015
Total		810,384	1,352,191

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

6. Amounts due from/due to related parties *(Continued)*

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Receipts in advance	Luzhou MCC City Construction Development Co., Ltd.	238,730	–
Receipts in advance	Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	213,446	–
Receipts in advance	Chengde MCC Construction and Development Co., Ltd.	160,479	–
Receipts in advance	Chongqing Wansheng Xihua Road Construction Co., Ltd.	105,912	–
Receipts in advance	Baiyin Integrated Pipe Network Management Co., Ltd.	37,547	–
Receipts in advance	Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	22,516	–
Receipts in advance	Meizhou MCC Road Construction and Development Co., Ltd.	21,956	29,252
Receipts in advance	Suining Kaihong Construction Development Co., Ltd.	17,858	31,630
Receipts in advance	Tianjin Tuanbo Urban Development Co., Ltd.	16,500	–
Receipts in advance	Xiangtan Wanfeng Development and Construction Co., Ltd.	8,740	–
Receipts in advance	Anyang MCC Pu'an Highway Engineering Co., Ltd.	5,869	–
Receipts in advance	Chongqing Hengyi Engineering Project Management Co., Ltd.	4,827	–
Receipts in advance	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	2,948	2,415
Receipts in advance	Guizhou Sanli Highway Construction Co., Ltd.	2,025	1,694
Receipts in advance	Harbin Shuangqi Environmental Resources Co., Ltd.	1,270	–
Receipts in advance	Chongqing Xinlian Steel Equipment Technique Co., Ltd.	1,156	–
Receipts in advance	Huludao Zinc Industry Co., Ltd.	250	–
Receipts in advance	Tianjin MCC Heyuan Real Estate Co., Ltd.	243	243
Receipts in advance	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	200	200
Receipts in advance	Hebei MCC Mingrun Real Estate Development Co., Ltd.	130	–
Receipts in advance	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	95	–
Receipts in advance	Wuhan Hanwei Refining Engineering Co., Ltd.	75	–
Receipts in advance	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	72	72
Receipts in advance	Huai'an Huaguang Construction Investment Co., Ltd.	–	37,439
Receipts in advance	CERI Yingkou Construction Development Co., Ltd.	–	13,100
Receipts in advance	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	–	938
Total		862,844	116,983

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Dividends payable	China Metallurgical Group Corporation	735,907	–
Dividends payable	Beijing China Metallurgical Construction Taxi Company	24	24
Total		735,931	24
Non-current liabilities due within one year	China Metallurgical Group Corporation	300,000	300,000
Total		300,000	300,000
Long-term payable	China Metallurgical Group Corporation	78,980	78,980
Total		78,980	78,980

7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties but not recognized in the balance sheet were as follows:

Lease:

All amounts in RMB'000

Items	Related parties	Closing balance	Opening balance
Leases from	China Metallurgical Group Corporation	37,669	59,040
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	11,975	14,882
Total		49,644	73,922

8. Other Disclosures

As stated in Note III 1, the Strategic Restructuring between CMGC and CMC is in progress. According to <Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange> Article 11(1), CMC has become the Company's related party.

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

8. Other Disclosures *(Continued)*

CMC and its subsidiaries entered into transactions with the Group during the current period, or during the prior period with remaining closing balance were as follows:

Name of Companies	Relationship with CMC
Minmetals Steel Chengdu Co.,Ltd.	Subsidiary
Minmetals Steel Lanzhou Co.,Ltd.	Subsidiary
Minmetals Steel Tianjin Co., Ltd.	Subsidiary
Minmetals Steel Shanghai Co., Ltd.	Subsidiary
Minmetals Steel Wuhan Limited Company	Subsidiary
Minmetals Steel Xiamen Co., Ltd.	Subsidiary
Minmetals Steel Guangzhou Co., Ltd	Subsidiary
Minmetals Steel Qingdao Co., Ltd.	Subsidiary
Minmetals Steel Harbin Co., Ltd.	Subsidiary
Minmetals Steel Xi'an Co., Ltd.	Subsidiary
Minmetals Steel Hangzhou Co., Ltd.	Subsidiary
Minmetals Steel Shenyang Co., Ltd.	Subsidiary
Minmetals Steel Beijing Co., Ltd.	Subsidiary
Minmetals Steel Chongqing Co., Ltd.	Subsidiary
China Minmetals Shenzhen Import and Export Co. Ltd.	Subsidiary
Minmetals Xinjiang Trading Co. Ltd.	Subsidiary
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Subsidiary
Minmetals Condo (shanghai) Construction Co., Ltd.	Subsidiary
Hunan Nonferrous Heavy Machinery Co., Ltd.	Subsidiary
Minmetals Yingkou Medium Plate Co., Ltd.	Subsidiary
China Minmetals Non-ferrous Metals Co., Ltd.	Subsidiary
Minmetals Yanhu Co. Ltd.	Subsidiary
Minmetals Copper (Hunan) Company Limited	Subsidiary
Minmetals Hanxing Mining Co., Ltd.	Subsidiary
Anhui Development Mining Co., Ltd.	Subsidiary
Hunan Nonferrous High-tech Material Co., Ltd.	Subsidiary
Minmetals Lanzhou Steel Logistics Co., Ltd.	Subsidiary
Minmetals International Trust Co., Ltd.	Subsidiary
Minmetals International Tendering Co., Ltd.	Subsidiary
Minmetals (Beijing) Asset Management Company	Subsidiary
Minmetals Steel Co., Ltd.	Subsidiary
Minmetals North-Europe AB	Subsidiary

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

Transactions with CMC for the current period, or during the prior period and amounts due from/due to CMC at the end of the period, or at the end of the prior period are disclosed as follows:

(1) Transactions with CMC

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the current period
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	470,943	658
China Minmetals Non-ferrous Metals Co., Ltd.	Purchase of goods	235,448	–
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	167,965	–
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	152,513	12,580
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	126,001	–
Minmetals Steel Wuhan Limited Company	Purchase of goods	111,840	1,528
Minmetals Steel Xiamen Co., Ltd.	Purchase of goods	101,399	–
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	81,816	220
Minmetals Steel Qingdao Co., Ltd.	Purchase of goods	56,067	–
Minmetals Steel Harbin Co., Ltd.	Purchase of goods	56,030	–
Minmetals Steel Xi'an Co., Ltd.	Purchase of goods	42,769	–
Minmetals Steel Hangzhou Co., Ltd.	Purchase of goods	34,123	2,025
Minmetals Steel Shenyang Co., Ltd.	Purchase of goods	25,687	–
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	23,711	35,248
Minmetals Steel Chongqing Co., Ltd.	Purchase of goods	8,845	–
China Minmetals Shenzhen Import and Export Co. Ltd.	Purchase of goods	4,102	–
Minmetals Condo (shanghai) Construction Co., Ltd.	Purchase of goods	2,987	1,659
Minmetals Xinjiang Trading Co. Ltd.	Purchase of goods	1,010	–
The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	Purchase of goods	30	1,804
Hunan Nonferrous Heavy Machinery Co., Ltd.	Purchase of goods	–	948
Minmetals Yingkou Medium Plate Co., Ltd.	Purchase of goods	–	175
Total		1,703,286	56,845

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

8. Other Disclosures *(Continued)*

(1) Transactions with CMC *(Continued)*

(b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the current period
China Minmetals Non-ferrous Metals Co.,Ltd.	Selling goods	234,060	–
Minmetals Yanhu Co., Ltd.	Providing services	106,237	–
Minmetals North-Europe AB	Selling goods	45,310	–
Minmetals Copper (Hunan) Company Limited	Providing services	19,997	179,881
Minmetals Steel Chongqing Co., Ltd.	Selling goods	9,809	–
Minmetals Yingkou Medium Plate Co., Ltd.	Selling goods and providing services	7,263	7,563
Minmetals Hanxing Mining Co., Ltd.	Providing services	5,356	1,285
Anhui Development Mining Co., Ltd.	Providing services	1,127	100
Hunan Nonferrous High-tech Material Co., Ltd.	Selling goods	993	–
The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	Selling goods	80	201
Minmetals Lanzhou Steel Logistics Co., Ltd.	Providing services	–	240
Total		430,232	189,270

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

(2) Amounts due from/due to CMC

(a) Receivables

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Closing book value	Provision for bad debts	Closing book value	Provision for bad debts
Accounts Receivable	Minmetals Copper (Hunan) Company Limited	35,124	–	97,870	–
Accounts Receivable	Minmetals Yingkou Medium Plate Co., Ltd.	29,689	1,564	30,056	620
Accounts Receivable	Minmetals Hanxing Mining Co., Ltd.	11,485	–	8,940	–
Accounts Receivable	Anhui Development Mining Co., Ltd.	1,188	101	1,396	49
Accounts Receivable	Minmetals Steel Chongqing Co., Ltd.	1,030	–	–	–
Accounts Receivable	Hunan Nonferrous High-tech Material Co., Ltd.	993	–	–	–
Accounts Receivable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	607	–	667	–
Total		80,116	1,665	138,929	669
Other Receivables	Minmetals International Trust Co., Ltd.	5,000	–	5,000	–
Other Receivables	Minmetals International Tendering Co., Ltd.	1,600	–	–	–
Other Receivables	Minmetals Yingkou Medium Plate Co., Ltd.	911	400	1,000	–
Total		7,511	400	6,000	–
Prepayments	Minmetals Steel Wuhan Limited Company	3,352	–	366	–
Prepayments	Minmetals (Beijing) Asset Management Company	2,000	–	–	–
Prepayments	Minmetals Steel Beijing Co., Ltd.	1,182	–	–	–
Prepayments	Minmetals Yingkou Medium Plate Co., Ltd.	24	–	7	–
Total		6,558	–	373	–

XII. RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

(2) Amounts due from/due to CMC (Continued)

(b) Payables

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Accounts Payable	Minmetals Steel Tianjin Co., Ltd.	103,738	42,619
Accounts Payable	Minmetals Steel Lanzhou Co., Ltd.	86,697	28,601
Accounts Payable	Minmetals Steel Wuhan Limited Company	83,166	11,814
Accounts Payable	Minmetals Steel Chengdu Co., Ltd.	77,342	75,582
Accounts Payable	Minmetals Steel Guangzhou Co., Ltd.	50,481	20,853
Accounts Payable	Minmetals Steel Shanghai Co., Ltd.	42,755	12,289
Accounts Payable	Minmetals Steel Harbin Co., Ltd.	40,872	7,029
Accounts Payable	Minmetals Steel Xi'an Co., Ltd.	36,672	3,994
Accounts Payable	Minmetals Steel Xiamen Co., Ltd.	35,596	8,050
Accounts Payable	Minmetals Steel Shenyang Co., Ltd.	32,687	6,245
Accounts Payable	Minmetals Steel Qingdao Co., Ltd.	29,384	42,528
Accounts Payable	Minmetals Steel Hangzhou Co., Ltd.	26,301	1,780
Accounts Payable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	19,690	36,758
Accounts Payable	Minmetals Steel Beijing Co., Ltd.	17,878	3,667
Accounts Payable	Minmetals Steel Chongqing Co., Ltd.	2,249	–
Accounts Payable	Hunan Nonferrous Heavy Machinery Co., Ltd.	–	358
Accounts Payable	Minmetals Yingkou Medium Plate Co., Ltd.	–	37
Total		685,508	302,204
Other Payables	Minmetals Steel Chengdu Co., Ltd.	75,238	2,000
Other Payables	Minmetals Steel Co., Ltd.	800	–
Other Payables	Minmetals Steel Guangzhou Co., Ltd.	300	–
Other Payables	Minmetals Steel Hangzhou Co., Ltd.	300	200
Other Payables	Minmetals Steel Tianjin Co., Ltd.	200	200
Other Payables	Minmetals Steel Shanghai Co., Ltd.	200	200
Other Payables	Minmetals Steel Xi'an Co., Ltd.	200	200
Other Payables	Minmetals Steel Xiamen Co., Ltd.	120	20
Other Payables	Minmetals Steel Qingdao Co., Ltd.	120	–
Other Payables	Minmetals Steel Wuhan Limited Company	100	–
Other Payables	Minmetals Steel Lanzhou Co., Ltd.	100	100
Other Payables	Minmetals Steel Harbin Co., Ltd.	60	–
Other Payables	Minmetals Steel Shenyang Co., Ltd.	20	20
Other Payables	Minmetals Condo (shanghai) Construction Co., Ltd.	14	–
Other Payables	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	–	500
Total		77,772	3,440

XII. RELATED PARTIES AND TRANSACTIONS *(Continued)*

8. Other Disclosures *(Continued)*

(2) Amounts due from/due to CMC *(Continued)*

(b) Payables *(Continued)*

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Receipts in advance	Minmetals Yanhu Co., Ltd.	84,790	–
Receipts in advance	Minmetals Yingkou Medium Plate Co., Ltd.	16,200	–
Total		100,990	–

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Buildings, structures and equipment	24,061,949	24,122,343
Intangible assets	4,299,281	4,299,281
Total	28,361,230	28,421,624

(2) Operating lease commitments

Minimum lease payments under non-cancellable operating leases:

All amounts in RMB'000

Items	Closing balance	Opening balance
Within 1 year	31,508	23,611
1 to 2 years	32,374	42,164
2 to 3 years	2,941	2,531
Over 3 years	30,259	30,478
Total	97,082	98,784

XIII. COMMITMENTS AND CONTINGENCIES (Continued)

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) Pending litigation or arbitration

As at 30 June 2017, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB2,981,068,000.

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 2017, management has recognized provision for pending lawsuits of RMB19,414,000, details of which are set out in Note VII41.

(b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Party being guaranteed	Type of guarantee	Type of responsibility	Guaranteed items	Guaranteed amount
MCC Capital Engineering & Research Incorporation Limited	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	153,000
Mortgage guarantees (note)					7,351,765

Note: The Group's subsidiaries in property development sector would provide mortgage guarantees to the property purchasers as it is a common practice in property development industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

(c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013.

XIII. COMMITMENTS AND CONTINGENCIES *(Continued)*

2. Contingencies *(Continued)*

(1) Significant contingencies at the balance sheet date *(Continued)*

(c) Others *(Continued)*

In 2013, due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is recognized in these financial statements.

XIV. EVENTS AFTER THE BALANCE SHEET DATE

1. Public Issuance of Renewable Corporate Bonds

On 13 December 2016, as approved by “Zheng Jian Xu Ke [2016] No. 3073” from the CSRC, the Company could publicly issue the Renewable Corporate Bonds with an aggregate amount not exceeding RMB8 billion in multiple tranches to qualified investors.

From 10 July to 11 July 2017, the Company publicly issued the Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd. (“the Third Tranche Bonds”). The actual offering size of the Third Tranche Bonds is RMB2 billion. The Third Tranche Bonds defines three interest accrual years as one cycle. At the end of each cycle, the Company is entitled to extend the Third Tranche Bonds for an additional cycle (i.e. three years), or to redeem the Third Tranche Bonds in full amount as they fall due at the end of the cycle. The coupon rate 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 should be determined by the benchmark interest rate at that time plus the initial interest spread on issue and then plus 300 basis points.

From 27 July to 28 July 2017, the Company publicly issued the Renewable Corporate Bonds (Fourth Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd. (“the Fourth Tranche Bonds”). The actual offering size of the Fourth Tranche Bonds is RMB1.3 billion. The Fourth Tranche Bonds defines three interest accrual years as one cycle. At the end of each cycle, the Company is entitled to extend the Fourth Tranche Bonds for an additional cycle (i.e. three years), or to redeem the Fourth Tranche Bonds in full amount as they fall due at the end of the cycle. The coupon rate 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 should be determined by the benchmark interest rate at that time plus the initial interest spread on issue and then plus 300 basis points.

2. Issuance of USD Debentures

MCC Holding (Hong Kong) Corporation Limited, the Company’s subsidiary, issued USD debentures on 17 July 2017 at a discounted price of USD499,803,000, with a face value of USD500,000,000. This issuance is an additional issuance of the issuance of USD500,000,000 debentures on 31 May 2017 (note VII37(2)(e)). The debentures bear interest at a fixed rate of 2.95% per annum and the expiration date is 31 May 2020. Interest will be paid on a half year basis and principal will be paid upon maturity date.

XV. OTHER SIGNIFICANT ITEMS

1. Segment information

(1) *Accounting policies of the segment*

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

Operating segment is a component of the Group which is satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the financial position, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

XV. OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

(a) Segment information for the period ended 30 June 2017 and as at 30 June 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	77,335,338	7,655,959	2,250,011	1,789,573	695,211	-	1,799,857	87,926,235
Including: External costs	76,080,254	7,615,580	2,139,694	1,782,288	308,419	-	-	87,926,235
Costs between segments	1,255,084	40,379	110,317	7,285	386,792	-	1,799,857	-
Operating profit/(loss)	2,426,384	1,448,058	(138,928)	(48,415)	203,061	(76,252)	5,784	3,808,124
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	161,388	42,273	31,949	4,733	11,909	-	-	252,252
Non-operating expenses	33,956	47,328	4,255	181	444	-	-	86,164
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	281,828,611	109,429,602	15,224,033	19,586,259	32,942,497	4,502,920	60,818,666	402,695,256
Including: Long-term equity investments in associates and joint ventures	5,910,349	755,843	-	68	64,212	-	-	6,730,472
Non-current assets	30,863,333	3,532,497	5,257,804	13,824,332	15,182,085	-	10,614,436	58,045,615
Liabilities	231,495,691	80,835,465	10,590,899	20,100,402	27,574,738	210,124	59,395,638	311,411,681
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)

(2) Summarized financial information of reporting segment (Continued)

(b) Segment information for the period ended 30 June 2016 and as at 31 December 2016

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	81,666,232	9,695,383	3,057,360	1,834,972	1,474,099	-	1,903,391	95,824,655
Including: Revenue from external customers	80,551,346	9,572,267	2,704,161	1,811,126	1,185,755	-	-	95,824,655
Revenue between segments	1,114,886	123,116	353,199	23,846	288,344	-	1,903,391	-
Operating costs	73,003,048	6,406,128	2,656,695	1,850,178	1,292,720	-	1,841,984	83,366,785
Including: External costs	71,961,059	6,274,130	2,298,184	1,830,510	1,002,902	-	-	83,366,785
Costs between segments	1,041,989	131,998	358,511	19,668	289,818	-	1,841,984	-
Operating profit/(loss)	1,842,909	2,117,912	(135,304)	(590,283)	99,874	(62,770)	30,271	3,242,067
Including: Interest income	127,460	80,175	25,370	3,884	580,184	-	314,942	502,131
Interest expense	810,564	194,083	84,978	290,005	504,294	-	314,942	1,568,982
Investment income/(loss) from associates and joint ventures	(148,404)	408,634	-	-	(4,039)	-	-	256,191
Non-operating income	278,134	52,145	34,574	4,979	18,106	-	-	387,938
Non-operating expenses	41,937	3,379	6,260	1,780	248	-	-	53,604
Total profit/(loss)	2,079,106	2,166,678	(106,990)	(587,084)	117,732	(62,770)	30,271	3,576,401
Income tax expenses	204,205	461,143	43,261	13	40,615	-	-	749,237
Net profit/(loss)	1,874,901	1,705,535	(150,251)	(587,097)	77,117	(62,770)	30,271	2,827,164
Assets	266,340,920	97,490,879	16,464,484	20,460,100	37,075,969	4,358,008	64,698,756	377,491,604
Including: Long-term equity investments in associates and joint ventures	4,391,205	708,458	-	-	63,822	-	-	5,163,485
Non-current assets	27,588,226	3,377,105	5,374,702	14,922,236	17,133,433	-	11,979,370	56,416,332
Liabilities	221,940,913	71,833,031	9,686,611	22,531,109	31,289,833	212,401	63,109,997	294,383,901
Depreciation and amortization expenses	823,293	34,276	176,410	461,297	65,191	-	-	1,560,467
Assets impairment losses	1,351,698	7,282	80,056	6,073	(21,954)	-	-	1,423,155
Increase in other non-current assets other than long-term equity investments	1,301,192	65,627	34,802	223,073	86,107	-	-	1,710,801

XV. OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(3) Other notes

(a) Revenue from external customers classified by source of income and non-current assets classified by geographic locations

All amounts in RMB'000

Operating revenue	Amount recognized in the current period	Amount recognized in the prior period
China	93,645,130	89,870,420
Other countries/regions	7,440,357	5,954,235
Total	101,085,487	95,824,655

All amounts in RMB'000

Non-current assets	Closing balance	Opening balance
China	44,675,660	42,449,490
Other countries/regions	13,369,955	13,966,842
Total	58,045,615	56,416,332

(b) The dependency on major customers

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

2. Net current assets and total assets less current liabilities

(1) Net current assets

All amounts in RMB'000

	Closing balance	Opening balance
Current assets	324,266,447	302,774,536
Less: Current liabilities	264,098,828	256,023,377
Net current assets	60,167,619	46,751,159

XV. OTHER SIGNIFICANT ITEMS *(Continued)*

2. Net current assets and total assets less current liabilities *(Continued)*

(2) Total assets less current liabilities

All amounts in RMB'000

	Closing balance	Opening balance
Total Assets	402,695,256	377,491,604
Less: Current liabilities	264,098,828	256,023,377
Total assets less current liabilities	138,596,428	121,468,227

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

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to shareholders of the Company	2,674,676	2,415,926
Including: Net profit from continuing operations	2,674,676	2,415,926
Less: Net profit belong to the perpetual bond holders	322,339	249,309
Net profit for the current period attributable to ordinary shareholders	2,352,337	2,166,617

(2) For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares

All amounts in thousand shares

	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the period	20,723,619	19,110,000
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 the end of the period	20,723,619	19,110,000

XV. OTHER SIGNIFICANT ITEMS (Continued)

3. Earnings per share (Continued)

(3) Earnings per share

All amounts in RMB

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.11	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	0.11	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. Accounts receivable

(1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	292,371	463,485
1 to 2 years	—	—
2 to 3 years	40,369	40,369
3 to 4 years	5,833	5,961
4 to 5 years	39,532	40,481
Over 5 years	392,208	398,044
Total book value	770,313	948,340
Less: provisions for bad debts	124,917	124,917
Carrying amount	645,396	823,423

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

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance				Carrying amount	Opening balance				Carrying amount
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)		Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	
Individually significant and subject to provision individually	-	-	-	-	-	-	-	-	-	-
Subject to provision by portfolios with credit risk characteristics	763,515	/	118,119	/	645,396	941,542	/	118,119	/	823,423
Group1 (a)	118,382	15.37	118,119	99.78	263	118,382	12.48	118,119	99.78	263
Group2	645,133	83.75	-	-	645,133	823,160	86.80	-	-	823,160
Accounts receivable which are individually insignificant but subject to provision individually	6,798	0.88	6,798	100.00	-	6,798	0.72	6,798	100.00	-
Total	770,313	/	124,917	/	645,396	948,340	/	124,917	/	823,423

(a) In Group 1, aging analysis of accounts receivable which are subject to provision for bad debts

All amounts in RMB'000

Aging	Closing balance			Proportion of provision (%)	Opening balance			Proportion of provision (%)
	Book value	Provision for bad debts	Proportion of provision (%)		Book value	Provision for bad debts	Proportion of provision (%)	
Within 1 year	-	-	-	-	-	-	-	
1 to 2 years	-	-	-	-	-	-	-	
2 to 3 years	-	-	-	-	-	-	-	
3 to 4 years	525	262	50.00	525	262	50.00		
4 to 5 years	-	-	-	-	-	-	-	
Over 5 years	117,857	117,857	100.00	117,857	117,857	100.00		
Total	118,382	118,119	/	118,382	118,119	/		

(3) Provision for bad debts for the current period was nil, and there was no recovery or reversal of bad debts for the current period.

(4) There was no accounts receivable written off during the current period.

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. 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	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the period
Party 1	Third Party	292,371	37.96	–
Party 2	Subsidiary	288,014	37.39	–
Party 3	Third Party	118,382	15.37	118,119
Party 4	Third Party	46,454	6.03	–
Party 5	Subsidiary	18,294	2.37	–
Total	/	763,515	99.12	118,119

(6) As at 30 June 2017, the Company had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2016: nil).

2. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	2,104,273	2,339,371
Less: Provision for bad debts	334,291	339,318
Total	1,769,982	2,000,053

There is a decrease of RMB5,027,000 among bad debt provision for interest receivable due to changes in exchange rates.

3. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	1,531,602	2,100,649
Total	1,531,602	2,100,649

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Dividends receivable (Continued)

(2) Dividends receivable aged over 1 year

All amounts in RMB'000

The name of investee	Closing balance	Reasons for not yet received	Impairment required
China 22MCC Group Co., Ltd.	244,951	Announced but not paid	No
MCC Communication Construction Group Co., Ltd.	182,141	Announced but not paid	No
CISDI Group Co., Ltd.	172,547	Announced but not paid	No
China MCC 17 Group Co., Ltd.	54,379	Announced but not paid	No
China ENFI Engineering Co., Ltd.	37,405	Announced but not paid	No
MCC Overseas Ltd.	13,134	Announced but not paid	No
WISDRI Engineering & Research Incorporation Limited	8,740	Announced but not paid	No
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	Announced but not paid	No
Northern Engineering & Technology Corporation, MCC	2,799	Announced but not paid	No
Total	721,893	/	/

4. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	2,934,499	6,477,843
1 to 2 years	4,994,171	2,763,424
2 to 3 years	13,165,186	12,821,424
3 to 4 years	3,649,669	3,387,791
4 to 5 years	4,012,006	4,031,675
Over 5 years	3,165,114	2,988,105
Total book value	31,920,645	32,470,262
Less: provisions for bad debts	6,262,513	6,286,682
Carrying amount	25,658,132	26,183,580

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance				Carrying amount	Opening balance				Carrying amount
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)		Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	
Individually significant and subject to provision individually (a)	9,291,013	29.11	6,210,618	66.85	3,080,395	9,324,652	28.72	6,234,787	66.86	3,089,865
Subject to provision by portfolios with credit risk characteristics	22,577,737	/	-	/	22,577,737	23,093,715	/	-	/	23,093,715
Group 1	-	-	-	-	-	-	-	-	-	-
Group 2	22,577,737	70.73	-	-	22,577,737	23,093,715	71.12	-	-	23,093,715
Other receivables which are individually insignificant but subject to provision individually	51,895	0.16	51,895	100.00	-	51,895	0.16	51,895	100.00	-
Total	31,920,645	/	6,262,513	/	25,658,132	32,470,262	/	6,286,682	/	26,183,580

(a) At the end of the period, analysis of other receivables which are individually significant and subject to provision for bad debts individually

All amounts in RMB'000

Other receivables (per entity)	Relationship with the company	Closing balance			Reasons
		Book value	Provision for bad debts	Proportion of provision (%)	
Party 1	Subsidiary	6,799,450	3,719,055	54.70	Discounted amount of future cash flows is less than the original book value.
Party 2	Subsidiary	2,491,563	2,491,563	100.00	
Total	/	9,291,013	6,210,618	/ /	

(3) There was no provision for bad debts for the current period, and recovery or reversal of bad debts for the current period was RMB24,169,000.

(4) There were no other receivables written off during the current period.

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(5) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	Closing book value	Opening book value
Subsidiaries of the Company	31,852,361	32,417,169
Guarantees and deposits	54,831	51,937
Others	13,453	1,156
Total	31,920,645	32,470,262

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

All amounts in RMB'000

Name of entity	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the period
Party 1	Amount due from subsidiary of the Company	13,838,535	1 to 3 years	43.35	–
Party 2	Amount due from subsidiary of the Company	6,799,450	0 to 5 years	21.30	3,719,055
Party 3	Amount due from subsidiary of the Company	2,566,704	0 to 4 years	8.04	–
Party 4	Amount due from subsidiary of the Company	2,491,563	5 to 6 years	7.81	2,491,563
Party 5	Amount due from subsidiary of the Company	1,097,200	0 to 4 years	3.44	–
Total	/	26,793,452	/	83.94	6,210,618

- (7) As at 30 June 2017, the Company had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2016: nil).

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

5. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Discount rate interval
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Receivables from subsidiaries of the Company	5,534,671	156,297	5,378,374	4,195,045	150,471	4,044,574	/
Others	2,037	-	2,037	2,037	-	2,037	/
Total	5,536,708	156,297	5,380,411	4,197,082	150,471	4,046,611	/
Less: Long term receivables due within one year	1,657,037	-	1,657,037	1,577,037	-	1,577,037	/
Long term receivables due after one year	3,879,671	156,297	3,723,374	2,620,045	150,471	2,469,574	/

As at 30 June 2017, 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 2016: nil).

6. Long-term equity investments

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	83,815,943	175,034	83,640,909	79,249,042	175,034	79,074,008
Joint ventures and associates	357,049	113,146	243,903	356,249	113,146	243,103
Total	84,172,992	288,180	83,884,812	79,605,291	288,180	79,317,111

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(1) Subsidiaries

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year	Closing Balance net of provision
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,898,546	-	-	1,898,546	-	-	1,898,546
Northern Engineering & Technology Corporation, MCC	826,271	-	-	826,271	-	-	826,271
China MCC 3 Group Co., Ltd.	900,096	-	-	900,096	-	-	900,096
Shen Kan Engineering & Technology Corporation, MCC	234,972	20,000	-	254,972	-	-	254,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	3,959,355	634,283	-	4,593,638	-	-	4,593,638
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Limited	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,583,970	-	-	1,583,970	-	-	1,583,970
MCC Tongsin Resources Ltd.	3,462,899	-	-	3,462,899	-	-	3,462,899
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	6,799,653	-	-	6,799,653	-	-	6,799,653
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	370,541	-	-	370,541	-	-	370,541
MCC Real Estate Group Co., Ltd.	4,442,739	-	-	4,442,739	-	-	4,442,739
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,261,984	-	-	2,261,984	-	-	2,261,984
China 22MCC Group Co., Ltd.	3,407,199	-	-	3,407,199	-	-	3,407,199
China ENFI Engineering Co., Ltd.	4,310,884	-	-	4,310,884	-	-	4,310,884
China Second Metallurgical Group Corporation Limited	662,835	-	-	662,835	-	-	662,835
Central Research Institute of Building and Construction Co., Ltd.	2,253,939	490,000	-	2,743,939	-	-	2,743,939
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037
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

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

All amounts in RMB'000

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current year	Impairment provision at the end of the year	Closing Balance net of provision
China MCC 5 Group Co., Ltd.	3,050,967	-	-	3,050,967	-	-	3,050,967
China Metallurgical Construction Engineering Group Co., Ltd.	1,585,910	500,000	-	2,085,910	-	-	2,085,910
China MCC 19 Group Co., Ltd.	2,454,357	520,000	-	2,974,357	-	-	2,974,357
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	1,591,180	-	-	1,591,180	-	-	1,591,180
MCC Baosteel Technology Services Co., Ltd.	1,091,924	-	-	1,091,924	-	-	1,091,924
China MCC 20 Group Co., Ltd.	1,680,279	-	-	1,680,279	-	-	1,680,279
Shanghai Baoye Group Corp., Ltd.	4,570,953	2,140,000	-	6,710,953	-	-	6,710,953
Huatian Engineering & Technology Corporation, MCC	2,156,648	-	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,663,743	91,618	-	1,755,361	-	-	1,755,361
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
Wuhan Iron and Steel Design & Research Incorporation Limited	234,734	-	-	234,734	-	-	234,734
WISDRI Engineering & Research Incorporation Limited	5,158,678	-	-	5,158,678	-	-	5,158,678
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd.	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
Indirect holding subsidiaries	686,000	70,000	-	756,000	-	-	756,000
Total	79,249,042	4,566,901	-	83,815,943	-	175,034	83,640,909

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Opening balance net of provision	Movements during the current period								Closing balance net of provision	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 for the current year	Other		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	100,000	-	-	137	-	-	-	-	-	100,137	-
MCC-Huafu Integrated Pipe Network Co., Ltd.	96,720	-	-	361	-	-	-	-	-	97,081	-
MCC Jianxin Investment Fund Management Co., Ltd.	26,859	-	-	2,204	-	-	-	-	-	29,063	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	19,524	-	-	(1,902)	-	-	-	-	-	17,622	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
Total	243,103	-	-	800	-	-	-	-	-	243,903	113,146

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

7. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Credit loans	26,261,680	27,514,934
RMB	24,980,050	26,500,000
USD	1,041,627	741,906
Others	240,003	273,028
Total	26,261,680	27,514,934

(2) As at 30 June 2017, there were no significant short-term borrowings overdue but not yet paid.

(3) For period ended 30 June 2017, the weighted average interest rate of short-term borrowings was 3.79% per annum (for period ended 30 June 2016: 3.92% per annum).

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Other payables

Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries	6,506,462	10,931,696
Other related parties within CMGC	368,471	368,471
Other companies within China Minmetals Corporation	74,038	–
Others	135,449	130,168
Total	7,084,420	11,430,335

9. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note XVI10)	500,000	550,000
Long-term employee benefits due within one year	3,755	3,755
Long-term payable within one year	300,000	300,000
Total	803,755	853,755

10. Long-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Mortgaged loans (a):	600,000	800,000
RMB	600,000	800,000
Guaranteed loans (b):	50,000	100,000
RMB	50,000	100,000
Credit loans:	4,267,808	4,666,690
RMB	2,100,000	2,100,000
USD	2,167,808	2,566,690
Total	4,917,808	5,566,690
Less: Long-term borrowings due within one year (Note XVI9):	500,000	550,000
Including: Mortgaged loans	400,000	400,000
Guaranteed loans	50,000	100,000
Credit loans	50,000	50,000
Long-term borrowings due over one year	4,417,808	5,016,690

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

10. Long-term borrowings (Continued)

- (a) As at 30 June 2017, borrowings of RMB600,000,000 (as at 31 December 2016: RMB800,000,000) were secured by the mortgage of inventory in an aggregate amount of RMB1,052,805,000 (as at 31 December 2016: RMB1,052,805,000) of a subsidiary of the Company, China 22MCC Group Co., Ltd.
- (b) As at 30 June 2017, certain guaranteed loans of RMB50,000,000 (as at 31 December 2016: RMB100,000,000) were guaranteed by a subsidiary of the Company, MCC Finance Corporation Ltd.
- (c) For period ended 30 June 2017, the weighted average interest rate of long-term borrowings was 4.46% per annum (for period ended 30 June 2016: 4.44% per annum).

11. 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	1,713,386	1,587,102	699,262	664,773
Other business	17	—	—	—
Total	1,713,403	1,587,102	699,262	664,773

(a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Engineering contracting	1,405,296	662,828
Others	308,090	36,434
Total	1,713,386	699,262

(b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
China	308,090	38,029
Other countries/regions	1,405,296	661,233
Total	1,713,386	699,262

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Operating revenue and operating costs (Continued)

(c) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

Customer Name	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party1	Third party	457,638	26.71
Party2	Third party	350,301	20.44
Party3	Third party	239,281	13.97
Total	/	1,047,220	61.12

12. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Bad debt provision	(23,370)	59,672
Total	(23,370)	59,672

13. 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	783,442
Investment incomes under equity method	800	(3,380)
Total	500,800	780,062

There is no major restriction of investment income repatriation to the Company.

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

14. 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	357,912	488,423
Add: Provision for impairment losses of assets	(23,370)	59,672
Depreciation of fixed assets	1,073	1,520
Amortization of intangible assets	1,145	1,281
Losses on disposal of fixed assets, intangible assets and other long-term assets	—	10
Losses on retirement of fixed assets	11	—
Financial expenses	226,770	154,094
Gains arising from investments	(500,800)	(780,062)
Increase in inventories	(171,185)	(278,594)
(Increase)decrease in receivables from operating activities	776,128	(36,931)
Increase(decrease) in payables from operating activities	(358,087)	445,489
Net cash flows from operating activities	309,597	54,902
2. Net changes in cash and cash equivalents:		
Closing balance of cash	2,281,683	1,509,157
Less: Opening balance of cash	7,692,102	2,727,147
Net decrease in cash and cash equivalents	(5,410,419)	(1,217,990)

(2) Cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	2,281,683	7,692,102
Including: Cash on hand	273	190
Bank deposits without restriction	2,281,410	7,691,912
Other monetary funds without restriction	—	—
II. Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
III. Closing balance of cash and cash equivalents	2,281,683	7,692,102

XVII.SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current period
Profit or loss on disposal of non-current assets	36,011
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.)	124,040
Other non-operating income or expenses other than the above items	6,037
Change of fair value of financial instruments at FVTPL and profit or loss of disposal of financial instruments at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under the company's normal operating business	15,211
Profit or loss on disposal of long-term equity investments	63,379
Impact on income tax	(42,510)
Impact on non-controlling interests	(35,920)
Total	166,248

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	3.80	0.11	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.54	0.11	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: 29 August 2017



Address : No. 28 Shuguang Xili, Chaoyang District,
Beijing, China
Website : www.mccchina.com
Tel : + 86-10-5986 8666
Fax : + 86-10-5986 8999
Postal Code: 100028
E-mail : ir@mccchina.com