



# 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



## 2018 ANNUAL REPORT

\* For identification purpose only



# IMPORTANT NOTICE

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that there are no false representations, misleading statements contained in or material omissions from the information set out in this annual report, and they severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of its contents.
- II. The Company convened the 2nd meeting of the third session of the Board on 29 March 2019. 6 out of 7 eligible Directors attended the meeting. Yu Hailong, a Director, did not attend the meeting due to other business engagements and authorized Ren Xudong, a Director, in writing to attend the meeting and exercise the voting right on his behalf upon consideration of the resolutions.

Position of the absent Director	Name of the absent Director	Reason for the absence of the Director	Name of the appointee
Independent Director	Yu Hailong	Due to other business engagements	Ren Xudong

- III. Deloitte Touche Tohmatsu CPA LLP issued an unqualified audit report for the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and the Chief Accountant of the Company, and Fan Wanzhu, the Deputy Chief Accountant and the Head of the Financial Planning Department, have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this annual report.
- V. During the Reporting Period, the proposal for profit distribution or transfer of capital reserve to share capital was considered by the Board

The net profit attributable to Shareholders of the Company in the audited consolidated statement of MCC in 2018 amounted to RMB6,371,580 thousand and the undistributed profit of MCC headquarters amounted to RMB2,071,070 thousand. Based on the total share capital of 20,723.62 million shares, the Company proposed to distribute to all Shareholders a cash dividend of RMB0.70 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,450,653 thousand, the remaining undistributed profit of RMB620,417 thousand will be used for the operation and development of the Company and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 22.77% of the net profit attributable to the Shareholders of the Company in the consolidated statement of MCC in 2018.

- VI. Statement for the risks involved in the forward-looking statements
- The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors are reminded of investment risks.
- VII. Is there any misappropriation of non-operating funds by the Controlling Shareholder and its related parties
- No
- VIII. Is there any external guarantee made in violation of the required decision-making procedures
- No
- IX. Warning of major risks

1. International and domestic macroeconomic trends

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

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

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

- X. Others

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

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# DEFINITIONS

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

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



# DEFINITION

“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Rules of Procedures for Board Meetings”	Rules of Procedures of Board Meetings of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2018 to 31 December 2018
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and 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
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules

# CHAIRMAN'S STATEMENT

Chairman  
**Guo Wenqing**



# CHAIRMAN'S STATEMENT

Dear Shareholders,

Looking back at 2018, MCC accurately grasped the development trend, actively coped with various risks and challenges, and forged ahead with concerted efforts and firm determination. Both quality and efficiency continued to improve, with heightened aggressively risk control in all aspects and outstanding results of technological innovation. The Company struggled for fulfillment of its responsibility as a central enterprise, gaining renowned reputation for its brand image. In particular, its operating results increased amid the downward economy and reached a new peak, which worked a brilliant achievement of the Company in its business for development.

During the Reporting Period, the operating results of the Company hit a new record. The value of accumulated newly signed contracts accounting to RMB665,744 million based on its rapid growth for three consecutive years, representing a year-on-year increase of 10.06%. The operating revenue amounted to RMB289,535 million, representing a year-on-year growth of 18.66%. Total profit was RMB9,524 million, increasing by 6.13% year on year; net profit attributable to Shareholders of the Company recorded RMB6,372 million, increasing by 5.12% year on year. All the four major business segments recorded profit for the first time. The total profit from the engineering contracting, property development, resources development, and equipment manufacturing amounted to RMB5,038 million, RMB4,151 million, RMB96 million and RMB337 million, respectively. New progress was made in the high-quality marketing. By enhancing the design and operation of "macro environment, mega projects and heavyweight clients", the newly signed contracts improved in both quantity and quality. The newly signed individual contracts with value of more than RMB500 million reached RMB368,485 million, representing a year-on-year increase of 15.81%. A new step was taken to deepen reform, thereby pressing ahead the establishment of regional companies by mixed ownership. MCC accelerated the structural adjustment with a focus on Xiong' an New Area, the Yangtze River Delta and Chenyu city cluster, arranging the production base with prefabricated buildings. The Company advanced business transformation, and strived to create the non-steel advantageous brand business. The Company has made new achievements in technological innovation with ACRE Coking & Refractory, MCC winning the First-class Award for National Science and Technology Advancement, which was the first time for the Company to obtain this award as the first completion entity, The Company received 18 metallurgical technology awards from China Iron and Steel Association and the Chinese Society for Metals, and 5 science and technology awards from the China Non-ferrous Metal Industry Association. The Company had 4,187 new authorized patents, accumulating 25,000 effective patents. The construction of the "National Technology Standard Innovation Base" was approved, which became one of the first batch of the six international standard innovation bases in China. The number of key laboratories at national level and technological research and development platform increased to 24, and 10 national standards were issued and complied. New breakthrough was made in the management and control of projects. Based on the principle of "building the platform for management and control, seizing standardization management, creating quality projects, and building the image of MCC", the Company enhanced the standardization and refinement level of project management in all aspects. MCC continued to maintain a steady upward development with good quality.

Knowing the future development from the past experience, while acknowledging the hidden principle throughout observation. Currently, the world is encountering a significant change that has never been seen in the past 100 years. The external environment was complicated and severe with increasing uncertainties. The development of our country is still and will be in the key period for strategic opportunities in a long run, but structural imbalance accumulated during the rapid growth period is interwoven with new problems. The economy has seen changes and concerns amid overall stability with increased downward pressure, thus bringing serious challenges to the steady and healthy development of the enterprise. In 2019, MCC will further increase a sense of crisis, maintain the strategic focus, target the goal positioning, identify the shortcoming, and continuously take actions and spare no efforts in working with diligence. The Company seeks improvement while maintaining stability, making breakthrough and fully preparing itself to facilitate high-quality development of the enterprise with firm determination.

In the scope of metallurgical construction, MCC will regard metallurgical construction as the core major business for long-term development. The Company will continue to implement the idea of "consolidating, improving, enhancing and smoothening", and comprehensively optimize the construction of the national team of metallurgical construction, putting effort on innovation of systematic technology with intelligentization and going green as its major direction. The Company will also facilitate the industrialization and commercialization of the core technology, accelerate internationalization, pushing forward "further advancement, further optimization and further re-creation of the national team for metallurgical construction". MCC will firmly maintain the leading position of technology innovation, and march forward towards the top of the industry chain value to ensure the "world's No. 1" of its service as the forerunner in the world.

In the scope of fundamental construction, we will closely follow the characteristics of new demands in the deceleration and quality improvement stage of the new urbanization in China to achieve greater results. With the deepening and optimisation of the market strategy of "macro environment, mega projects and heavyweight clients, we will dig out the subdivided target market with comparative advantages and market prospects to develop them deeply, thoroughly and precisely into regional markets. The Company will integrate its advantages and resources to create its brand business with market competitiveness. We will improve the core competitiveness of the enterprise by upgrading our model, management, technology, capability and service to accelerate the transformation into a world-class urban operator, industrial development system solution provider and the entire life-cycle service provider of engineering projects.

In the scope of emerging industries, closely focusing on the market opportunities brought about by the national strategies including beautiful and healthy China, and rural revitalization, we will keep track of the demands in the industry, accelerate market expansion, snatch the market share in the layout, put more efforts on technological research and development, optimize product structure and market structure, thereby expanding and strengthening the market segments of industrial clusters, including energy conservation and environmental protection, urban pipe network, comprehensive governance of water environment, health care industry, beautiful countryside, smart city, new energy, new materials and others, to increase market proportion and achieve scale and brand effects, becoming an industry leader of "expert brand + industrial platform company".

When you hoist the sails to cross the sea, you'll ride the wind and cleave the waves. With faith, conviction, and confidence as our spiritual strength, we will persist in deepening reform, driving innovation led by technology, practise the motto "make progress every day, and do not slacken the pace", and do our utmost to create better operating results for Shareholders of the Company and investors.

国文法



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

At present, the A Shares of the Company have been selected to be a constituent stock of the SSE Central State-owned Enterprises Index, MSCI Index, Large-scale Infrastructure Central State-owned Enterprises Index, SSE 180 Dynamic Index, Corporate Governance Index, etc.; while the H Shares have been selected to be a constituent stock of Bloomberg Global Index, Hang Seng Stock Connect Hong Kong Index, HSCIPC Index, etc.

Specific information of the Company is set out below:

## I. CORPORATE INFORMATION

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

## II. CONTACT PERSON AND CONTACT METHOD

<b>Secretary to the Board</b>	Zeng Gang
<b>Joint Company secretaries</b>	Zeng Gang and Ng Sau Mei
<b>Address</b>	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
<b>Telephone</b>	+86-10-59868666
<b>Facsimile</b>	+86-10-59868999
<b>E-mail</b>	ir@mccchina.com

\* For identification purpose only

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## III. BASIC INFORMATION

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

## IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

## V. SHARES OF THE COMPANY

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



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	Deloitte Touche Tohmatsu CPA LLP.
	Office address	8th Floor, Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing, PRC
	Signing auditors	Ma Yanmei, Chen Wenlong
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	23/F, CITIC Securities Tower, 48 Liangmaqiao Road, Chaoyang District, Beijing, PRC
	Signing representatives of sponsor	Yang Bin, Chen Shumian
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for the initial public offering of A Shares of MCC dated 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the proceeds raised by MCC have not been fully utilized, CITIC Securities Company Limited continues to supervise MCC on the use of proceeds, and performs the relevant continuous supervisory duties after the expiry of continuous supervisory period.  CITIC Securities Company Limited, acting as the sponsor for the non-public issuance of A Shares of MCC (the share registration was completed on 6 January 2017), performed sponsoring duty for the management and use of proceeds from the non-public issuance of A Shares of the Company and carried out continuous supervisory work.
PRC legal advisor appointed by the Company	Name	Beijing Jia Yuan Law Offices
	Office address	F408 Ocean Plaza, 158 Fu Xing Men Nei Avenue, Xicheng District, Beijing
Overseas legal advisor appointed by the Company	Name	Latham & Watkins LLP
	Office address	18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

### (I) Major accounting data

Unit: RMB'000

Major accounting data	2018	2017	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2016
Operating revenue	<b>289,534,523</b>	243,999,864	18.66	219,557,579
Net profit attributable to Shareholders of the Company	<b>6,371,580</b>	6,061,488	5.12	5,375,858
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	<b>6,152,241</b>	5,466,980	12.53	4,570,415
Net cash flow generated from operating activities	<b>14,049,970</b>	18,417,847	-23.72	18,558,549

	At the end of 2018	At the end of 2017	Increase/ decrease at the end of the period as compared to the corresponding period of the previous year (%)	At the end of 2016
Net assets attributable to Shareholders of the Company	<b>83,943,362</b>	82,499,829	1.75	70,553,075
Total assets	<b>438,915,843</b>	414,565,174	5.87	377,491,604



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## (II) Major financial indicators

Major financial indicators	2018	2017	Increase/ decrease for the period as compared to the corresponding period of the previous year (%)	2016
Basic earnings per share (RMB/Share)	0.26	0.26	-	0.25
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.25	0.23	8.70	0.21
Weighted average return on net assets (%)	8.25	8.44	Decreased by 0.19 percentage point	9.30
Weighted average return on net assets after deducting non- recurring profits and losses (%)	7.92	7.49	Increased by 0.43 percentage point	7.77

## (III) Financial highlights

### 1. Overview

The highlights of Company's financial position as at 31 December 2018 and the operating results for 2018 are as follows:

- Operating revenue amounted to RMB289,535 million, representing a year-on-year increase of RMB45,535 million or 18.66% from RMB244,000 million in 2017.
- Operating profit amounted to RMB9,832 million, representing a year-on-year increase of RMB1,053 million or 11.99% from RMB8,779 million in 2017.
- Net profit amounted to RMB7,571 million, representing a year-on-year increase of RMB859 million or 12.79% from RMB6,712 million in 2017.
- Net profit attributable to Shareholders of the Company amounted to RMB6,372 million, representing a year-on-year increase of RMB311 million or 5.12% from RMB6,061 million in 2017.

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

- Basic earnings per share amounted to RMB0.26, and the basic earnings per share in 2017 amounted to RMB0.26.
- As at 31 December 2018, total assets amounted to RMB438,916 million, representing an increase of RMB24,351 million or 5.87% from RMB414,565 million as at 31 December 2017.
- As at 31 December 2018, total Shareholders' equity amounted to RMB102,669 million, representing an increase of RMB5,349 million or 5.50% from RMB97,320 million as at 31 December 2017.
- Newly signed contracts amounted to RMB665,744 million, representing an increase of RMB60,843 million or 10.06% from RMB604,901 million in 2017.

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

## 2. Revenue from Principal Business Segments

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

### (1) Engineering Contracting Business

Operating revenue amounted to RMB258,331 million, representing an increase of RMB49,718 million or 23.83% from RMB208,613 million in 2017.

### (2) Property Development Business

Operating revenue amounted to RMB22,870 million, representing a decrease of RMB2,044 million or -8.20% from RMB24,914 million in 2017.

### (3) Equipment Manufacturing Business

Operating revenue amounted to RMB6,988 million, representing an increase of RMB733 million or 11.73% from RMB6,255 million in 2017.

### (4) Resources Development Business

Operating revenue amounted to RMB5,283 million, representing a decrease of RMB382 million or -6.74% from RMB5,665 million in 2017.

### (5) Other Businesses

Operating revenue amounted to RMB3,667 million, representing a decrease of RMB285 million or -7.21% from RMB3,952 million in 2017.

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



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

## 3. Summary of financial statements

The following is a summary of financial information prepared in accordance with China Financial Reporting Standards:

### (1) Consolidated Income Statement

Unit: RMB'000

Item	Note	Amount for the current year	Amount for the prior year
<b>I. Total operating revenue</b>		<b>289,534,523</b>	243,999,864
Including: Operating revenue	VII47	<b>289,534,523</b>	243,999,864
<b>II. Total operating costs</b>		<b>280,483,556</b>	236,069,186
Including: Operating costs	VII47	<b>253,121,966</b>	212,052,305
Taxes and levies	VII48	<b>2,412,583</b>	2,109,021
Selling expenses	VII49	<b>2,108,541</b>	1,961,287
Administrative expenses	VII50	<b>8,569,093</b>	7,681,869
Research and development expenses	VII51	<b>7,182,666</b>	5,336,045
Financial expenses	VII52	<b>3,252,219</b>	3,020,031
Including: Interest expenses		<b>4,525,732</b>	3,156,235
Interest income		<b>2,063,982</b>	1,001,059
Impairment losses of assets	VII53	<b>1,165,150</b>	3,908,628
Impairment losses of credit	VII54	<b>2,671,338</b>	–
Add: Other gains	VII55	<b>237,653</b>	200,336
Investment income	VII56	<b>375,980</b>	548,870
Including: Gains from investments in associates and joint ventures		<b>1,857</b>	48,309
Gains from changes in fair values	VII57	<b>28,999</b>	222
Gains from disposal of assets	VII58	<b>138,415</b>	99,013
<b>III. Operating profit</b>		<b>9,832,014</b>	8,779,119
Add: Non-operating income	VII59	<b>449,866</b>	438,636
Less: Non-operating expenses	VII60	<b>757,436</b>	243,069
<b>IV. Total profit</b>		<b>9,524,444</b>	8,974,686
Less: Income tax expenses	VII61	<b>1,953,837</b>	2,262,832
<b>V. Net profit</b>		<b>7,570,607</b>	6,711,854
(I) As classified by continuity of operation			
Net profit from continuing operations		<b>7,570,607</b>	6,711,854
Net profit from discontinued operations		–	–
(II) As classified by vested ownership			
Net profit attributable to Shareholders of the Company		<b>6,371,580</b>	6,061,488
Profit or loss of minority Shareholders		<b>1,199,027</b>	650,366

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

Item	Note	Amount for the current year	Amount for the prior year
<b>VI. Other comprehensive income, net of income tax</b>			
	VII62	<b>-64,288</b>	-173,761
Other comprehensive income attributable to Shareholders of the Company, net of income tax		<b>-134,606</b>	-183,839
(I) Items that will not be reclassified subsequently to profit or loss		<b>-342,483</b>	-157,365
1. Re-measurement of defined benefit obligations		<b>-193,430</b>	-157,365
2. Changes in fair value of investments in other equity instruments		<b>-149,053</b>	–
(II) Items that may be reclassified subsequently to profit or loss		<b>207,877</b>	-26,474
1. Other comprehensive income to be reclassified into profit or loss under equity method		<b>-4</b>	-546
2. Gains or losses from change of fair value of available-for-sale financial assets		<b>–</b>	12,762
3. Exchange differences on translating foreign currency statements		<b>207,881</b>	-38,690
Other comprehensive income attributable to non-controlling interests, net of income tax		<b>70,318</b>	10,078
<b>VII. Total comprehensive income</b>		<b>7,506,319</b>	6,538,093
Total comprehensive income attributable to Shareholders of the Company		<b>6,236,974</b>	5,877,649
Total comprehensive income attributable to non-controlling interests		<b>1,269,345</b>	660,444
<b>VIII. Earnings per share</b>	XV3		
(I) Basic earnings per share (RMB/share)		<b>0.26</b>	0.26
(II) Diluted earnings per share (RMB/share)		<b>N/A</b>	N/A

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

	As at 31 December 2018	As at 31 December 2017
Total assets	<b>438,915,843</b>	414,565,174
Total liabilities	<b>336,246,399</b>	317,244,693
Total shareholders' equity	<b>102,669,444</b>	97,320,481

Explanation on the key accounting data and financial indicators for the last three years at the end of the Reporting Period

Applicable       Not Applicable



# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

(I) **Differences in net profit and net asset attributable to Shareholders of the Company disclosed in financial reports under IAS and Chinese Accounting Standards for Business Enterprises**

Applicable  Not Applicable

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

Applicable  Not Applicable

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

Applicable  Not Applicable

## IX. MAJOR FINANCIAL DATA IN 2018 ON A QUARTERLY BASIS

Unit: RMB'000

	The first quarter (January–March)	The second quarter (April–June)	The third quarter (July–September)	The fourth quarter (October–December)
Operating revenue	55,197,434	70,915,139	55,088,834	108,323,116
Net profit attributable to Shareholders of the Company	1,660,907	1,246,290	858,327	2,606,056
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	1,564,451	1,407,328	720,630	2,459,832
Net cash flow generated from operating activities	-12,871,484	4,764,892	800,870	21,355,692

**Explanation on the difference between quarterly data and the data in the disclosed periodical report**

Applicable  Not Applicable

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

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

Unit: RMB'000

<b>Non-recurring profit and loss items</b>	<b>Amount in 2018</b>	<i>Note (if applicable)</i>	Amount in 2017	Amount in 2016
Profit or loss on disposal of non-current assets	<b>138,415</b>	Note XVII	99,013	84,968
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature	-	-	-	-
Government grants recognized in profit or loss (except for the government grants that are closely related to the normal operating business of the Company and received in a certain amount or fixed quantity in accordance with the state's regulations)	<b>635,756</b>	Note XVII	634,548	707,110
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	-	-	-	-
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	-	Note XVII	599	-
Profit/loss of non-monetary asset swap	-	-	-	-
Profit/loss from entrusted investment or asset management	-	-	-	-
Provision for impairment of assets due to force majeure, i.e. natural disaster	-	-	-	-
Profit/loss from debt restructuring	-	-	-	-
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	-	-	-	-
Profit/loss from the excess of the fair value of a transaction of unfair consideration	-	-	-	-
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	-	-	-	-
Profit/loss from contingencies irrelevant to the normal operating business of the Company	-	-	-	-
Profit/loss from the change of fair value of financial assets held for trading and financial liabilities held for trading and investment income from the disposal of financial assets held for trading and financial liabilities held for trading and available-for-sale financial assets except for those gain/loss relating to the hedging transactions under company's normal operating business	/	-	43,932	13,136
Profit/loss from the change of fair value of financial assets held for trading and derivative financial instruments and change in fair value through profit or loss of other non-current financial assets and investment income from the disposal of financial assets held for trading except for those gain/loss relating to the hedging transactions under company's normal operating business	<b>51,934</b>	Note XVII	/	/

# COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

<b>Non-recurring profit and loss items</b>	<b>Amount in 2018</b>	<i>Note (if applicable)</i>	Amount in 2017	Amount in 2016
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	/	-	-	-
Write back of the provision for impairment of accounts receivable and contract assets that is individually tested for impairment	-	-	/	/
Profit/loss from external entrusted loans	-	-	-	-
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	-	-	-	-
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	-	-	-	-
Income of entrustment fees from entrusted operations	-	-	-	-
Other non-operating income and expenses other than the above items	<b>-465,729</b>	Note XVII	27,713	-138,568
Other profit or loss items that fall within the meaning of non-recurring profit and loss	<b>32,071</b>	Note XVII	64,525	478,921
Impact on non-controlling interests	<b>-90,758</b>	Note XVII	-99,952	-119,396
Impact on income tax	<b>-82,350</b>	Note XVII	-175,870	-220,728
<b>Total</b>	<b>219,339</b>	Note XVII	594,508	805,443

## XI. ITEMS MEASURED UNDER FAIR VALUE

Unit: RMB'000

<b>Item</b>	Balance at the beginning of the period	<b>Balance at the end of the period</b>	Changes during the period	Impact on the profit of the current period
Financial assets at fair value through profit or loss	151,451	<b>1,124,150</b>	972,699	45,417
Available-for-sale financial assets	2,977,360	/	/	/
Other investments in equity instruments	/	<b>1,867,964</b>	/	128,359
Other non-current financial assets	/	<b>4,214,624</b>	/	106,595
Derivative financial assets	-	<b>2,365</b>	2,365	2,365
Derivative financial liabilities	-	<b>-496</b>	-496	-496



## I. BUSINESS REVIEW

### (I) Engineering Contracting Business

#### 1. Industry Overview

In 2018, China's economy generally maintained steady development, showing a positive trend of quality improvement and structural optimization. Private investment witnessed a strong rebound, and private enterprises improved their willingness to invest; investment in the manufacturing industry once again became the main driving force of investments, with the investment structure being constantly optimized; and property investment remained strong. The national investment in fixed assets (excluding farmers) amounted to RMB63,563.6 billion, representing an increase of 5.9% when compared with last year.

In 2018, the iron and steel industry in China experienced a steady and sound growth, which helped iron and steel enterprises accelerate their pace for environmental protection and transformation, structural adjustment, and transformation and upgrading. More opportunities in relation to transformation and upgrading, energy saving and environmental protection, and operation service emerged gradually in the domestic iron and steel industry, and the whole industry has relatively strong market demands for green development, intelligent development and top-level operation service, which provided substantial opportunities for the Company in traditional core business to strive for the "national team for metallurgical construction to be advanced, optimized and re-created".

In 2018, the investment in infrastructure across the country showed a year-on-year increase of 3.8%. With the further advancement of supply-side structural reform and the effective implementation of national strategies and schemes including the coordinated development of the Beijing, Tianjin, and Hebei Region (京津冀協同), Xiong'an New Area, the construction of the Yangtze River Economic Belt, and "Guangdong-Hong Kong-Macao" Greater Bay Area, the construction of infrastructure and urbanization in China has further sped up. Emerging industries maintained strong momentum. Businesses related to these emerging industries, including utility tunnel, theme park, sponge city and water environment comprehensive improvement, smart city and beautiful countryside construction, prefabricated buildings and senior life and healthcare, will embrace great potential for development.

In 2018, the global economy had a weaker growth momentum, with increasing uncertainties and instabilities and greater downside risks. The United States adopted a "3-pronged policy" consisting of protectionism, unilateralism and the formulation of new economic and trade rules that made the international economic and trade rules become conservative, fragmented and high-standard simultaneously, which therefore resulted in more instabilities and uncertainties. The Chinese government consistently pushed forward the "Belt and Road" construction, strengthened its strategic alignment with other countries along the route, and ushered in a broader room for cooperation in infrastructure construction, metallurgical engineering, equipment manufacturing and other fields, thus creating more market opportunities for the Company's overseas business expansion.

According to the statistics of the Ministry of Commerce and the State Administration of Foreign Exchange, the outbound direct investment made by the entire industry in China amounted to US\$129.83 billion in 2018, representing a year-on-year increase of 4.2%. The turnover of overseas contracted engineering projects amounted to US\$169.04 billion, representing a year-on-year increase of 0.3%. The turnover of overseas contracted engineering projects in 63 countries along the "Belt and Road" amounted to US\$89.33 billion, accounting for 52% of the total amount for the same period. The overseas contracted engineering projects that mainly focused on the transportation, general construction and power engineering industries accounted for 66.5%, which effectively improved the infrastructure of these countries. Meanwhile, overseas contracted engineering projects boosted China's export of equipment and materials to nearly US\$17 billion, representing a year-on-year increase of 10.4%.

# REPORT OF DIRECTORS

## 2. The Operating Results of the Business

During the Reporting Period, the new construction contracts of the Company amounted to RMB628.689 billion, representing a year-on-year increase of 13.11%, further creating a record high. Newly signed metallurgical engineering contracts amounted to RMB111.066 billion, accounting for 17.67% of the new contracts and representing an increase of 40.84% as compared with the corresponding period of 2017. Newly signed non-steel engineering contracts amounted to RMB517.623 billion, accounting for 82.33% of the new contracts and representing an increase of 8.52% as compared with the corresponding period of 2017. Newly signed overseas engineering contracts amounted to RMB44.305 billion.

### The overall operating results of the engineering contracting business in 2018

Unit: RMB'000

	2018	% of the total	2017	Year-on-year increase/decrease
Segment operating revenue	258,330,923	86.94%	208,612,860	23.83%
Gross margin (%)	10.52	–	11.15	Decreased by 0.63 percentage point

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

#### (1) Metallurgical Engineering Construction Business

As the pioneer and founder in China's iron and steel industry, during the Reporting Period, the Company regarded being the national team of the world's top metallurgical construction operation service as the primary task under the requirements of "further advancement", further optimization and further re-creation of the national team for metallurgical construction. Closely keeping up with the pace of adjustment to the layout and upgrading of domestic iron and steel industry, the Company established the core technology and control capabilities in eight major parts and nineteen units of the traditional metallurgical procedure of the Company, thereby strengthening high-end leadership. In terms of market expansion, the Company paid attention to leveraging the advantages of the entire industry chain, focused on major metallurgical projects, and took the initiative to implement central coordination and arrangement, and conduct overall marketing. While ensuring that large and medium-sized projects of major iron and steel companies keep up with pace, the Company firmly consolidated the status of being the "national team for metallurgical construction". The Company has signed a number of key projects, including Industrial Upgrading of HBIS and Production Capacity Transfer of Xuansteel in Hebei Province as well as Relocation of Liugang Fangcheng Port.

The overseas metallurgical business operations of the Company mainly include overseas metallurgical engineering projects and overseas mining projects. With its leading comprehensive technological advantages, the Company has undertaken multiple representational projects in the metallurgical engineering construction industry in overseas market for long time and has been highly recognized by the international market. In the future, the Company will continue to firmly grasp any overseas development opportunities brought by the "Belt and Road" initiative and make full use of the benefits brought by the "going out" policy. By constantly strengthening its capability in project operation, improving the level of localization and further implementing the overseas first policy, the Company will steadily increase the proportion of its overseas business and keep on improving the level of its internationalization.

# REPORT OF DIRECTORS

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

Unit: RMB'000

Items of revenue	2018		2017		2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	64,836,330	25.10	48,097,655	23.06	47,719,519	25.43

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

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

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
<b>Domestic Projects</b>			
1	EPC General Contracting Project for Industrial Upgrading of HBIS Hegang and Production Capacity Transfer of Xuangang to Blast Furnace Area (河鋼產業升級及宣鋼產能轉移高爐區域EPC總承包項目)	34.0	MCC Capital Engineering & Research Incorporation Limited
2	Industrial Silicon of 280kt/a and Organic Silicon of 400kt/a Project of Xinjiang Jingheyuan New Material Co., Ltd. (新疆晶和源新材料有限公司280kt/a工業硅、400kt/a有機硅項目)	29.8	China Second Metallurgical Group Corporation Limited
3	Coke Project with 4 Million Tonnes/Year of Shanxi Meijin Huasheng Chemical New Material Co., Ltd. (山西美錦華盛化工新材料有限公司400萬噸/年焦化項目)	18.4	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
4	General Contracting Project for Engineering, Design, Procurement and Construction of Jilin Tianchi Mining (吉林天池礦業工程設計採購施工總承包項目)	13.0	MCC TianGong Group Corporation Limited
5	General Contracting Engineering for Blast Furnace Body and Ancillary Facilities of Iron and Steel Base Project in Fangcheng Port, Guangxi Province (廣西防城港鋼鐵基地項目高爐本體及輔助設施總包工程)	12.8	CISDI Group Corp. Ltd.
6	Phase I Engineering for an Annual Output of 250,000 Tonnes High Precision Aluminum Sheet for Transportation Use of Gansu Yigong New Material Technology Co., Ltd. (甘肅益工新材料科技有限公司年產25萬噸高精度交通用鋁板項目一期工程)	10.6	Beijing MCC Equipment & Research Corporation Ltd.



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No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
7	General Contracting Engineering for 2x500 sq.m. of Sintering and Related Ancillary Facilities of Iron and Steel Base Project in Fangcheng Port, Guangxi Province (廣西防城港鋼鐵基地項目2x500平米燒結及相關配套設施總承包工程)	10.1	Zhong Ye Chang Tian International Engineering Co., Ltd.
8	Construction Project of Steel Production Capacity Replacement (Conversion and Upgrading of New and Old Kinetic Energy of Process Equipment) of Laigang Yongfeng Steel Co., Ltd. in Shandong Province (山東萊鋼永鋒鋼鐵有限公司煉鋼產能置換方案的建設項目(工藝裝備新舊動能轉換升級改造))	9.8	Shanghai Baoye Group Corp., Ltd.
9	Construction Project for 1,780 mm Hot Rolling Engineering (Main Line Area) of Baosteel Desheng in Luoyuan County, Fujian Province (福建省羅源縣寶德盛1,780mm熱軋工程(主線區)施工項目)	9.4	China MCC 20 Group Co., Ltd.
10	General Contracting Project for Steelmaking Product Optimization and Upgrading of Minmetals Yingkou Medium Plate Co., Ltd. (五礦營口中板有限責任公司煉鋼產品優化升級改造項目總承包項目)	9.2	CISDI Group Corp. Ltd.
11	Construction General Contracting Project for Industrial Upgrading of HBIS and Production Capacity Transfer of Xuansteel (Raw Materials Area) in Hebei Province (河北河鋼產業升級及宣鋼產能轉移項目原料區域施工總承包項目)	9.2	China Metallurgical Construction Engineering Group Co., Ltd.
12	General Contracting Project for Quantum Electric Furnace of Fujian Dingsheng Iron & Steel Co., Ltd. (福建鼎盛鋼鐵有限公司量子電爐工程總承包項目)	9.0	WISDRI Engineering & Research Incorporation Limited
13	New Cold-rolling Project of Fujian Dingsheng (鼎盛新建冷軋項目)	8.2	WISDRI Engineering & Research Incorporation Limited
14	Steelmaking Construction & Installation Project for Industry Upgrading of HBIS and Production Capacity Transfer of Xuansteel (河鋼產業升級及宣鋼產能轉移項目煉鋼建築安裝工程)	8.1	Shanghai Baoye Group Corp., Ltd.
15	General Contracting Project for ESP Headless Strip Steel Production Line of Fujian Dingsheng Iron & Steel Co., Ltd. (福建鼎盛鋼鐵有限公司ESP無頭帶鋼生產線工程總承包項目)	7.3	WISDRI Engineering & Research Incorporation Limited
<b>Overseas Projects</b>			
1	General Contracting Contract for Samalaju Alliance Steel Plant under Wen'an Iron & Steel (Malaysia) Co., Ltd. (文安鋼鐵(馬來西亞)有限公司Samalaju聯合鋼廠總承包項目)	117.0	CISDI Group Co., Ltd.
2	Smelting Construction Project for Ferro-nickel with Annual Output of 600,000 Tonnes of PT. Indonesia RuiPu Nickel and Chrome Alloy (印尼瑞浦鎳鉻合金有限公司年產60萬噸鎳鐵冶煉建設項目)	20.5	China MCC 17 Group Co., Ltd.
3	Smelting Project for Ferro-nickel with Annual Output of 300,000 Tonnes of PT.WEDA BAY Nickel in Indonesia (印尼緯達貝鎳業有限公司年產30萬噸鎳鐵冶煉工程項目)	20.2	China MCC 20 Group Co., Ltd.
4	Construction and Design Project of OBI Nickel and Cobalt Project in Indonesia (印尼OBI鎳鈷項目工程設計項目)	14.2	China ENFI Engineering Co., Ltd.
5	Equipment Supply Project for Tata Steel KPO Phase II in India (印度塔塔KPO二期設備供貨項目)	6.1	ACRE Coking & Refractory Engineering Consulting Corporation, MCC

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## (2) Non-Steel Engineering Construction Business

### ① Fundamental Construction

During the Reporting Period, the Company carried out further subdivision of the construction market in accordance with the requirements of “repositioning, re-cultivating and re-upgrading of the main force for fundamental construction” to mainly develop the target market with comparative advantages and market prospects. After determining the target market, the Company put effort on concentrating superior resources, with a view to creating the brand business with market competitiveness. Through upgrading of model, management, technology, capacity and service, the Company enhanced its competitiveness in fundamental construction.

During the Reporting Period, on the one hand, with reference to market conditions and regulatory requirements, the Company timely adjusted its approach of the PPP business, further tightened risk control, strengthened review of project introduction, expanded the scale and improved the quality of individual projects and controlled the total number of projects. On the other hand, priority was put on the implementation of projects at hand. The Company continued to implement engineering projects under PPP model and seized the strategic opportunity to strengthen market development, expand its business scale, raise its new contract amount, and drive its transformation and upgrade. In 2018, the Company newly signed approximately 65 PPP projects with the total investment amount of RMB106.293 billion, and won the bids for 47 new PPP projects and the total investment amount was RMB106.685 billion. In terms of industry distribution, the PPP projects mainly included municipal engineering, transportation, comprehensive urban development, ecological construction and environment protection as well as the social security comfort housing project.

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

Unit: RMB'000

Items of revenue	2018		2017		2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction engineering	107,540,465	41.63	93,677,430	44.90	88,041,621	46.92
Transportation infrastructure	54,016,566	20.91	43,856,822	21.02	31,860,213	16.98
Other engineering	31,937,562	12.36	22,980,953	11.02	20,017,337	10.67

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

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

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
<b>Domestic Projects</b>			
1	Survey, Design (Procurement) and Construction General Contracting Project for Culture and Tourism Complex of Xiguo Cultural Park in Zunyi City, Guizhou Province (貴州省遵義市鱷國文化園文旅綜合體勘察、設計(採購)、施工總承包項目)	64.6	MCC TianGong Group Corporation Limited
2	Mangshi to Lianghe Highway Project in Yunnan Province (Section I) (雲南省芒市至梁河高速公路項目第一合同段)	60.2	MCC Communication Construction Group Co., Ltd.
3	27 projects including Sichuan Dongshan Avenue Construction Project and Erliqiao Road Construction Project (四川東山大道建設項目、二里橋路建設項目等27個項目)	58.0	China MCC 5 Group Co., Ltd.
4	General Contracting for PPP Project of Tourism Trunk Highway Construction and Operation during "Thirteenth Five-Year Plan" Period in Xiangxi Autonomous Prefecture, Hunan Province (PPP Project) (湖南省湘西州「十三五」旅遊幹線公路建設運營PPP項目施工總承包項目(PPP項目))	45.7	MCC TianGong Group Corporation Limited
5	Five Highway Projects including Mulabulakedaoban – Kazi – Tula Pasture in Xinjiang (PPP Project) (新疆木那布拉克道班—卡子—吐拉牧場等五個公路項目(PPP項目))	44.7	China MCC 19 Group Co., Ltd.
6	Design, Procurement and Construction (EPC) Project for Renovation of Talent Apartments in Resettlement Area Along Ankang Road and Tianhe Road of Shanty Towns in Kuche County, Xinjiang Autonomous Region (新疆庫車縣棚戶區改造安康路和天河路安置房人才公寓建設項目設計、採購、施工(EPC)項目)	40.0	China MCC 17 Group Co., Ltd.
7	EPC General Contracting for Renovation Project of Northern Area and Construction Project of Resettlement Area in Zhongyuan New Area, Henan Province (河南中原新區北部片區改造項目安置區建設項目EPC總承包工程)	35.2	Shanghai Baoye Group Corp., Ltd.
8	Ecological and Agricultural Project for International Tourism and Healthcare in Baocheng (Ya'an, Sichuan Province • Lushan), the PRC (中國寶盛(四川雅安•廬山)國際旅遊康養生態農業項目)	30.0	China MCC 17 Group Co., Ltd.
9	Real Estate Development Project of Clear Water and Blue Sky Community in Pingtang County, Guizhou Province (貴州省平塘縣碧水藍天小區房地產開發項目)	29.6	MCC TianGong Group Corporation Limited
10	Hi-tech Shantytown Renovation Project (Xianghe New Town) in Shangqiu New Area, Henan Province (河南省商丘市新區高科棚戶區改造項目(響河新城))	29.2	China MCC 5 Group Co., Ltd.
11	Flood Prevention and Ecological Restoration Project in Binjiang, Ezhou City (鄂州市濱江防洪生態修復項目)	28.7	China First Metallurgical Group Co., Ltd.
12	Construction Project for Demonstration Base of China International Elderly Service Industry (Ulanqab) (中國國際養老產業(烏蘭察布)示範基地建設項目)	28.5	China MCC 19 Group Co., Ltd.
13	Projects of Wanzheng Family Phase II, Wanzheng Longmen Garden, Danjiang Dragon City A and B Zones and Wanzheng Grand Mansion in Zhoukou City, Henan Province (河南省周口萬政世家二期項目、萬正龍門苑項目、丹江龍城A區、B區項目、萬正大公館項目)	28.1	China Second Metallurgical Group Corporation Limited
14	PPP Project for Sports Center in Quzhou City, Zhejiang Province (浙江省衢州市體育中心PPP項目)	27.8	Shanghai Baoye Group Corp., Ltd.
15	EPC General Contracting Engineering of Resettlement Area Project of Mengze Park in Lankao County, Henan Province (河南蘭考縣夢澤園安置區項目EPC總承包工程)	26.2	China First Metallurgical Group Co., Ltd.



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No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
<b>Overseas Projects</b>			
1	Project of Phase II and III of Zhong'ai • Mankai Textile Industrial Park (中埃•曼凱紡織工業園二、三期項目)	45.2	MCC International Incorporation Ltd.
2	14 Engineering Projects including Al Hanakya, Makkah Ranya for the Affordable Housing Phase I Project of the Ministry of Housing of Saudi Arabia (沙特住建部保障房一期項目Al Hanakya、Makkah Ranya等14個工程項目)	21.5	Metallurgical Corporation of China Ltd.
3	1x250MW Coal-fired Power Plant Project for 35,000-ton (Annual Capacity) Nickel Production Line and Ancillary Facilities of Yashi Indonesia Investment Limited (雅石印尼投資有限公司年產3.5萬噸鎳金屬生產線及配套建設1x250MW燃煤發電廠項目)	20.6	China First Metallurgical Group Co., Ltd.
4	General Contracting Project of Normanton Park in Singapore (新加坡諾曼頓公園工程總承包項目)	17.4	Central Research Institute of Building and Construction Co., Ltd.
5	40-Kilometre Section Project of Altanbulag – Ulaanbaatar – Zamyn-Üüd Expressway in Mongolia (蒙古國阿勒坦布拉格–烏蘭巴托–扎門烏德高速公路40公里路段項目)	11.0	China Second Metallurgical Group Corporation Limited

## ② Emerging Industries

During the Reporting Period, in accordance with the requirements of the “forerunner in the emerging industries to re-accelerate, re-expand and re-innovate”, the Company further accelerated the development of emerging markets, and snatched the market share in the layout, winning by fast play to occupy a greater market share. We enhanced the income proportion of the Company in emerging industries, expanded the market scale, and optimized product institutions and market structure. We put effort on technological research and development of emerging industry to maintain technological advantages and bargaining power in the industry. Meanwhile, we sought and discovered new emerging industries through innovation.

In the urban integrated subterranean pipeline corridor field, as the earliest constructor of the integrated subterranean pipeline corridor in the PRC, the Company is able to provide consultation, planning, survey, design, construction, supervision and operating services, with professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. During the Reporting Period, the Company won the bid for a batch of integrated pipeline corridor projects with great social influence in Shenzhen, Wuhan, Zhuhai, Tianjin, Gui’an New Area, etc. As at the end of the Reporting Period, the Company has won the bid for pipeline corridor PPP and EPC projects with a mileage of over one thousand kilometers, and continues to maintain its leading position in the domestic piping system market.

In the theme park field, as the world’s largest theme park contractor, the Company has the only professional theme park design institute in China, and is the only one in China with the qualification for theme park design-build project. In 2018, the Company successfully won the bid and signed the agreement for major projects such as Beijing Universal Studios Theme Park and Resort Project Section 5 and Section 6, Indonesia MNC Theme Park Project and Evergrande Children’s World Theme Park Construction Project in Kaifeng, among which, Beijing Universal Studios, upon its completion, will be the 6th theme park of the Universal Studios in the world, third in Asia and first in China, as well as the first world-class super large-scale modern theme park in Beijing.

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In the field of comprehensive treatment of water environment, the Company bore in mind the concept that “Lucid Waters and Lush Mountains are Invaluable Assets”, devoted itself to the construction of ecological civilization. By relying on the MCC Water Environment Technology Research Institute, the Company continues to enhance investment in research and development as well as application of water environment technology. The Company focuses on key development of markets such as general treatment of river basins, general treatment of black odor water, municipal wastewater treatment and rural wastewater treatment, building the water treatment brand of China Metallurgical characterized by “One Low Three High”, namely “low cost, high standard, high technology, high quality”, thereby continuously expanding its market share. In 2018, the Company newly signed a batch of major projects such as EPC Project of Rain and Sewage Diversion in Upstream of Longgang River in Shenzhen City, Survey, Design and Construction General Contracting Engineering for Clean Energy Renovation Project of Community Drainage Network Along Shenzhen River and Guanlan River in Longgang District, Shenzhen City, Restoration Project in Greater Airport Area, Shenzhen, Flood Prevention and Ecological Restoration Project in Binjiang, Ezhou City and Comprehensive Renovation (Phase I) Project for “Two Streams and One Bay” Safe Ecological Water System in Nan’an City, Fujian Province.

In the beautiful countryside and smart city field, the Company, by applying big data and intelligent technology, built a public service platform for the matching between production and sale of national primary agricultural products, which is currently the only nationwide and integrated platform for the matching between production and sale of primary agricultural products. Such platform is principally engaged in O2O and B2B transactions of bulk primary agricultural products. As at the end of the Reporting Period, more than 589 poverty-affected counties and 1,500 agricultural product distributors nationwide have taken the lead in being incorporated in the data management system of the platform, and more than 2,000 counties nationwide have been guided to successively make their agricultural products available on the platform.

In the healthcare field, the Company conformed to the development trend of the industry and the urging demand of the market by adopting the double innovative mode of “research institute + healthcare investment platform”. Leveraging on the technological advantage of the Healthcare Industry Technology Research Institute of MCC, the Company offered customers with all-round and comprehensive services of “healthcare, rehabilitation, pension, health-consciousness, fitness, travel and culture” with professional and full-range perspectives. During the Reporting Period, the Company contracted a batch of new major projects, striving to boost the brand influence of “Healthcare +”.

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

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
<b>Urban Integrated Subterranean Pipeline Corridor Projects</b>			
1	Phase I Construction Project of Integrated Subterranean Piping System in Xingyi City, Guizhou Province (貴州省興義市地下綜合管廊一期建設施工項目)	28.1	China 22MCC Group Co., Ltd.
2	Construction Project of Integrated Subterranean Piping System of West Extension of North Third Ring Road and Dongfeng Road in Baoding City, Hebei Province (PPP Project) (河北保定市北三環、東風路西延地下綜合管廊建設工程項目(PPP項目))	24.8	MCC TianGong Group Corporation Limited
3	Phase II General Contracting Project for Design, Procurement and Construction of Integrated Piping System in New Aerial Port City, Shenzhen, Guangdong Province (廣東省深圳市空港新城綜合管廊二期項目設計採購施工總承包項目)	24.1	China MCC 20 Group Co., Ltd.
4	Integrated Subterranean Piping System and Simultaneous Construction Engineering PPP Project in North Section of Cuicheng Road, Cuiheng New Area, Zhongshan City, Guangdong Province (PPP Project) (廣東省中山翠亨新區翠城道北段地下綜合管廊及同步建設工程PPP項目(PPP項目))	23.2	China MCC 19 Group Co., Ltd.
5	Engineering Project for Integrated Road Network of Central Business District in East District and Cishan Road and Integrated Subterranean Pipeline Corridor in Handan City, Hebei Province (河北省邯鄲市東區中央商務區綜合路網和磁山路及地下綜合管廊工程項目)	22.0	China Huaye Group Co., Ltd.
<b>Theme Park Projects</b>			
1	Indonesia MNC Theme Park Project (印尼MNC主題公園項目)	23.1	Central Research Institute of Building and Construction Co., Ltd.
2	Hengda Children's World Theme Park Construction Project in Kaifeng, Henan (開封恒大童世界主題樂園建設工程)	20.0	Shanghai Baoye Group Corp., Ltd.
3	Fourteen Projects Including Section VI (711) 1-1 (101) North Administration Building at Universal Studio Theme Park in Beijing (北京標段六(711)1-1(101)北行政樓等14項工程(北京環球影城主題公園))	13.0	Central Research Institute of Building and Construction Co., Ltd.
4	Eleven Projects Including Section V (716) 6-1 (601) Amusement Facilities at Universal Studio Theme Park in Beijing (北京第五標段(716)6-1(601)遊樂設施等11項工程(北京環球影城主題公園))	11.1	Shanghai Baoye Group Corp., Ltd.
5	Construction Project (EPC General Contracting) of Ceramic Culture Tourism City Project in Xiping County, Jiangxi Province (江西新平陶瓷文化旅遊城項目建設工程(EPC總承包)項目)	9.0	Huatian Engineering & Technology Corporation, MCC
<b>Sponge City Project</b>			
1	Pilot Construction Project of Sponge City in Qingyang City, Gansu Province (PPP Project) (甘肅慶陽市海綿城市試點建設項目(PPP項目))	9.4	MCC TianGong Group Corporation Limited



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No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
<b>Healthcare and Special Town Projects</b>			
1	EPC General Contracting Project of Huanghe Financial Technology Small Town in Hancheng City, Shaanxi Province (陝西省韓城市黃河金融科技小鎮EPC總承包項目)	40.9	MCC Communication Construction Group Co., Ltd.
2	Design and Construction General Contracting Project of "Qidi Shuangchuang Snow & Ice Small Town" Residential Area in Tengchong City, Yunnan Province (雲南騰沖啟迪雙創冰雪小鎮住宅區設計施工一體化項目總承包項目)	10.3	China MCC 5 Group Co., Ltd.
3	All-for-One Tourism Infrastructure Project in Xingtai County, Hebei Province (河北邢台縣全域旅游基礎設施工程)	8.1	China 22MCC Group Corporation Ltd.
<b>Water Environment Treatment Projects</b>			
1	Treatment of Black and Odorous Water and Environment and Landscape Improvement Engineering (PPP Project) of Ecological Water System in Ming River, Hancheng County, Henan Province (河南鄆城縣洺河生態水系黑臭水體治理與環境景觀提升工程(PPP項目))	14.0	China First Metallurgical Group Co., Ltd.
2	Comprehensive Treatment (Phase I) Project for "Two Streams and One Bay" Safe Ecological Water System in Nan'an City, Fujian Province (福建省南安市「兩溪一灣」安全生態水系綜合整治(一期)工程)	13.9	China First Metallurgical Group Co., Ltd.
3	Urban and Rural Infrastructure Project of E'bian Yi Autonomous County in Sichuan Province (四川省峨邊彝族自治縣城鄉基礎建設項目)	10.0	MCC Capital Engineering & Research Incorporation Limited
4	EPC (Design, Purchase and Construction) Project of Rain and Sewage Diversion in Upstream of Longgang River in Shenzhen City (深圳市龍崗河流域上游雨污分流項目EPC(設計採購和施工)項目)	6.6	China MCC 19 Group Co., Ltd.
5	Construction Project for Earthworks of River Channel in Comprehensive Treatment Project of Dasha River in Xingtai City, Hebei Province (河北省邢台市大沙河綜合治理項目河道整理土石方工程施工項目)	5.1	Central Research Institute of Building and Construction Co., Ltd.

## (II) Property Development Business

### 1. Industry Overview

In 2018, the property industry adheres to its policy positioning that "houses should be built for living, not for speculation", introduces policies according to cities' circumstances and provides guidance based on different categories. The entire industry has ended its high-speed growth period and entered into a mature period of relatively steady growth. It is necessary to establish a long-term mechanism for the healthy development of the property market, to further consolidate the subject responsibility of municipal governments, and improve the housing market system and housing security system. Local governments implemented control measures on city clusters and transitioned from curbing traditional demand end to increasing housing supply on the supply side. Restrictions on purchase, loan and sale, coupled with restriction on land auction were imposed by governments, resulting in the optimized supply structure and the gradual effect of the control measures. The year of 2018 witnessed an increased concentration in the industry, obvious differentiation in the markets of various cities and a downward trend in the land markets of major cities. There continued to be differentiation among property enterprises in terms of business performance, and large-scale property enterprises continued to distinguish themselves in respect of the scale effect in sale, land acquisition, product, marketing, financing and diversified layout.

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In 2018, the national investments in property development amounted to RMB12,026.4 billion, representing an increase of 9.5% when compared with last year. The areas of new construction of housing were 2,093.42 million square meters (“sq.m.”), representing an increase of 17.2% when compared with last year, among which, the areas of new construction of residential buildings were 1,533.53 million sq.m., representing an increase of 19.7% when compared with last year. The area of lands acquired by property development enterprises was 291.42 million sq.m., representing an increase of 14.2% when compared with last year.

## 2. The Operating Results of the Business

Weighted by the policy restrictions on “de-stocking” and the “home buying restrictions and credit tightening”, the Company adopted different policies that were tailored to characteristics of each category and of each city during the Reporting Period. MCC Real Estate, a subsidiary of the Company, carried on accomplishing the strategic layout that Yangtze River Delta, Pearl River Delta and the Beijing-Tianjin-Hebei Region are taken as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. It acquired 6 land parcels with site area and permissible gross floor area of 572,800 sq.m. and 967,800 sq.m., respectively. In 2018, in China Top 100 Real Estate Developers jointly selected by the Development Research Center of the State Council, Tsinghua University and China Index Academy, MCC ranked the 40th in China Top 100 Real Estate Developers and ranked the 5th in Top 100 Enterprises with Most Profitability, and was the only company that won the national award of Outstanding Enterprise in China’s Urban Development and Operation. MCC Real Estate was successfully included in China Top Green Buildings – 2018 Top 30 Enterprises with Competitiveness of Green Development, and ranked 14th. Meanwhile, MCC Real Estate ranked 7th in Top 10 Central (State-owned) Enterprises with Competitiveness of Green Development and 4th in Top 10 Fast-growing and Environmentally-friendly Real Estate Developers.

During the Reporting Period, the amount invested by the Company in property development was RMB22.032 billion, representing a year-on-year increase of 3.60%, with construction area of 11.4798 million sq.m., representing a year-on-year increase of 6.86%; among which, new construction area accounted for 2.5861 million sq.m., representing a year-on-year increase of 36.16%; completed area accounted for 1.5728 million sq.m., representing a year-on-year decrease of 14.96%; contract sales area of commercial housing accounted for 1.0337 million sq.m. with contract sales amount of RMB14.482 billion.

### The overall operating results of the property development business in 2018

*Unit: RMB'000*

	2018	% of the total	2017	Year-on-year increase/ decrease
Segment revenue	<b>22,870,252</b>	7.70%	24,914,457	-8.20%
Gross margin (%)	<b>28.48</b>	–	24.83	Increased by 3.65 percentage points

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

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

- (1) **MCC Xinglong Xincheng • Hongshijun Project.** On 2 November 2017, MCC Real Estate won the land use rights through bidding for parcels located at Hongshili Village and Nantumen Village of Xinglong County at RMB1.291 billion. The project is located in Xinglong County, Chengde City, Hebei Province, which was elected as the “2017 100 Best Counties for Summer Resort in China” and “100 Best Small Towns for Deep Breaths in China”, with a total planning site area of 12,000 mu and total construction land of 3,000 mu. The planning site area, construction land area and floor area for phase I of the project will be 4,000 mu, 1,847 mu and 1.76 million sq.m., respectively, with a planning plot ratio of 1.2. The project represents the transformation of MCC Real Estate from a single-mode real estate developer to an urban integrated operator. The project will, with no doubt, become the work of the time created by a stronger MCC Real Estate brand. The project was launched for initial sale on 23 June 2018, and is currently in the progress of main structure construction and internal and external decoration, with the first batch expected to be completed and delivered in September 2019.
- (2) **Zhuhai Headquarter Building Phase II Project.** In December 2010, Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. won through bidding the state-owned land use right for the parcel of project at approximately RMB800 million in cash. In 2015, MCC Real Estate acquired 31% equity interest in the project company through equity transfer, and is responsible for the later-stage development of the project. The project is located at Hengqin port in Hengqin Free Trade Area in Zhuhai City, which has superior geographical position being on the other side of the river from Macao. The project is planned to be a commercial and office complex, which is designed by Mr. Keith Griffiths, the founder partner of the world renowned architecture practices Aedas. Taking “double dragons in pursuit of a pearl” as the design concept, the project is built to be a future landmark building in Hengqin and even Southern China. The pile foundation of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in late 2019.
- (3) **Hong Kong L’AQUATIQUE.** In November 2013, Nan Hua International Engineering Ltd. (“Nan Hua”, a wholly-owned subsidiary of MCC Overseas Ltd. (“MCC Overseas”)) won Land Lot No. 70, Tsing Lung Tau, Tsuen Wan, Hong Kong by HK\$500.18 million through public tendering, which covers an area of approximately 4,868 sq.m.. In 2014, MCC Real Estate and MCC Overseas entered into a cooperation agreement, pursuant to which MCC Overseas delegated the management and control authority of Nan Hua during the development of L’AQUATIQUE to MCC Real Estate Hong Kong, and MCC Real Estate Hong Kong undertook the development of L’AQUATIQUE in the name of Nan Hua. Closed to the seashore, the project boasts a spectacular 180-degree sea view that overlooks Ting Kau-Lantau Island belt, and the winding Tsing Lung Wan, Tung Wan and Ma Wan ahead is an exceptional and unique gulf landscape in Hong Kong. Adjacent to the high-profile Hong Kong-Shenzhen-Macau new golden delta, the region will become a core of the Pearl River Delta city cluster as the Guangdong-Hong Kong-Macau Greater Bay develops with an active market. The project unveiled its initial sales on 17 November 2018. Interior decoration, construction work on back hill and other final work are in progress now, and the phase I of the project is expected to complete in December 2019 and the Phase II is expected to complete in June 2020.



## (III) Equipment Manufacturing Business

### 1. Industry Overview

As the ancillary industry of the iron and steel industry, the domestic metallurgical equipment manufacturing industry is expected to show gradual improvement in overall situation. Given the features of strong strength, great resilience capacity, high level of industrial production, less pollution, high recyclability and other advantages, the steel structure has been paid more attention by the country and given increasing market recognition, leading to an upward trend of the output value of steel structure in recent years. As the country vigorously promotes the development of industrialized, standardized and green construction industry which is characterized by prefabricated steel structure, and high-end and super-rise steel structures with large span, large space and complex process are being widely applied in the construction and metallurgical industry, the steel structure market has a large room for development. The country transformed from “advancement of steel structure construction in a proactive and sound manner” to “devotion of greater efforts in steel structure construction”, which has formed a favorable policy environment for the upgrading and rapid development of the industry.

### 2. The Operating Results of the Business

The business of the Company’s equipment manufacturing segment mainly includes research and development, design, manufacturing, sale, 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 manufacturing business in 2018

*Unit: RMB'000*

	2018	% of the total	2017	Year-on-year increase/ decrease
Segment revenue	<b>6,988,417</b>	2.35%	6,254,959	11.73%
Gross margin (%)	<b>12.02</b>	–	9.15	Increased by 2.87 percentage points

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

In 2018, the domestic steel and iron industry was generally in stable operation with steady benefit growth and rebounded investment, and the overall profitability of the equipment manufacturing segment of the Company has improved. For the purpose of strengthening the steel structure brand awareness, the Company will further improve the overall layout to strengthen and expand the steel structure business by taking the initiative in Shanghai to establish China Metallurgical (Shanghai) Steel Structure Company as a pilot project. Such company integrates the steel structure processing business of the former Shanghai Baoye Group Corp., Ltd., China MCC 20 Group Co., Ltd. and China MCC 5 Group Co., Ltd., becoming the flagship company of MCC’s existing steel structure business segment. Moving forward, the Company will gradually divest from underperforming low-tech businesses with uncertain prospect for its equipment manufacturing segment, and with focus on environmentally-friendly relocation, technological transformation and upgrading, and reform and innovation, continuously strengthen its process in the reorganization of the existing equipment manufacturing drivers that provides support to the core technology which would likely have a more favorable prospect.

The Company will further strengthen its strategic leadership of and control over the steel structure business, continue to better allocate the assets of its steel structure business, further leverage the advantages of the integrated whole industry chain covering research and development, design, manufacturing, installation, testing and maintenance of the steel structures of the Company, make full use of favorable market layout and brand awareness, and build the overall competitive advantage and brand image of the steel structure business of the Group with deepened reform and determination to forge ahead.

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## (IV) Resources Development Business

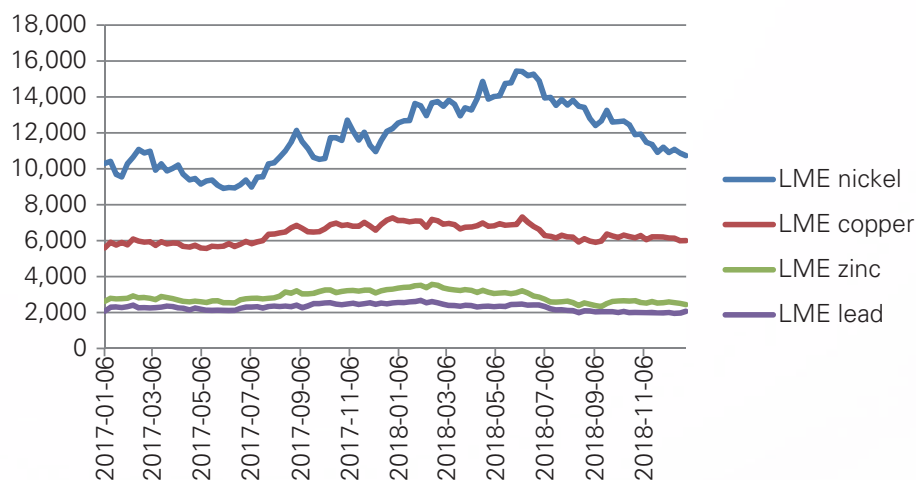
### 1. Industry Overview

The year of 2018 showed lackluster supply and demand in the global mining market, with falling prices of major products, slower performance improvement in mining companies and less willingness in the capital market to invest in mining assets. During the same period, capital expenditures of the global mining industry experienced significant rebound, among which, investment in exploration increased by over 20%. Mergers and acquisitions (“M&As”) within the industry ushered in a major outbreak with the value of M&As growing by over 40%, indicating that mining companies remained positive towards the medium and long-term development of the mining industry. Looking forward to 2019, the global mining market will continue to maintain a tight balance. Though the overall situation may improve as compared to that in 2018, there will be more market fluctuations and greater commodity differentiation under the influence of greater risks and uncertainties from the macro perspective.

To be specific, in terms of the trend of metal prices, entering into 2018, with the escalation of global trade tensions, the rebound of USD index and the increasing risk aversions, prices of major bulk metal products fell in fluctuations, which are lower than those at the beginning of the year, and prices of most products fell by over 10% as compared to those at the beginning of the year. However, in terms of the average prices throughout the year, the average price of nickel presented the biggest increase of 25.9%; the average price of copper increased by 5.2%; the average price of zinc remained basically the same, and the average price of lead increased by 3.4%.

**LME price trend of nickel, copper, zinc and lead in 2017-2018**

Unit: USD/tonne



Source: Wind

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## 2. The Operating Results of the Business

During the Reporting Period, the business of the Company's resources development mainly focuses on mining, selection and refining of metal resources of nickel, cobalt, copper, lead, zinc and other metals. In line with the objective of "refining management, enhancing quality, reducing costs, controlling risks and making profits", the Company strived to improve the development and operating services of its own mineral resources. The overall profitability of the Company's resources development business further improved in 2018 after turning losses into profits in 2017.

### The overall operating results of the resources development business in 2018

*Unit: RMB'000*

	2018	% of the total	2017	Year-on-year increase/decrease
Segment revenue	5,282,909	1.78%	5,664,790	-6.74%
Gross margin (%)	33.17	–	28.59	Increased by 4.58 percentage points

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

During the Reporting Period, details of resource projects under development and operation of the Company are as follows:

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

During the Reporting Period, the project continued to maintain high yield in a stable manner, with the average ratio of production capacity for the year of 108.4%, and produced Ni-Co hydroxide that contained 35,354 tonnes of nickel and 3,275 tonnes of cobalt, in aggregate, both of which hit a new record high and ranked among top 10 globally. As the production cost of the project is lower than that of similar projects in the world, the major technical indicators of production and energy consumption indicators are more favorable than the designed indicators, and the comprehensive operation management capability is of the leading position among similar projects in the world, allowing the project to record sales revenue of RMB2.65690 billion. Thus, the project generated annual profits for the first time with strengthened profitability.

In 2018, the APEC summit was held in Papua New Guinea, during which the Company and the Ministry of Mines of Papua New Guinea entered into the Memorandum of Investment Agreement for Expansion of the Ramu Nico Project under the witness of the leaders of both countries.

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

During the Reporting Period, the project seized the favorable opportunity of high zinc price to optimize the layout between mining production in the upper system and construction in the lower system, with focus on increasing the output of lead concentrate ore and zinc concentrate ore in the upper system, and produced zinc concentrate ore and lead concentrate ore of 53,957 tonnes and 8,036 tonnes, respectively, representing an increase of 39% and 58%, respectively, as compared to those for the same period of last year, allowing the project to record sales revenue of RMB399.14 million and indicating further enhancement of profitability of the project. Meanwhile, related reconstruction and new projects in the lower system are in progress, and are expected to have full production capacity by the end of 2019.



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

During the Reporting Period, the project effectively extended its life cycle through expansion of the south ore and exploitation of the north ore. The project maintained stable production and operation throughout the year, with an aggregate production of crude copper of 12,538 tonnes, representing a year-on-year increase of 25% as compared to 10,052 tonnes for the same period of last year, allowing the project to record sales revenue of RMB646.13 million, and is expected to generate profits each year onwards.

(4) **Afghanistan Aynak Copper Mine Project**

Being one of the world-class copper mines that have not been developed, the project is of great importance and is under the common concern of both the Chinese and Afghan governments. During the Reporting Period, the Company had several negotiations with the Afghan government side on the amendments to the mining contract of project in Kabul, Dubai and Beijing. Such negotiations were about the feasibility and economic efficiency of the mining plan proposed by the Afghan side and the efforts to seek for favorable policy from the state to pave the way for subsequent development.

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

The project has taken such measures as suspension of production, layoff and liquidation of assets to effectively curb operating losses. During the Reporting Period, the project sold an aggregate of 59,169 tonnes of iron ore concentrates in stock, allowing the project to record sales revenue of RMB28.70 million.

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

Applicable       Not applicable

## III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

Metallurgical engineering is the most comprehensive engineering industry that requires highest professionalism in the engineering and construction field. Being a founder of metallurgical industry in new China, MCC has accumulated 70 years of technological experience, forming the core competitiveness for sustainable development, which are reflected: in respect of technologies, continuously elevating core technological capabilities and system integration abilities; in respect of management, constantly improving innovation ability and resource integration capability; in respect of corporate culture, forming corporate spirit and vision with high popularity.

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

## IV. TECHNOLOGICAL INNOVATION

In 2018, the Company's technological innovation worked tightly around the strategic positioning of "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality". With the focus on promoting the national team for metallurgical construction to be advanced, optimized and re-created with a vision from the international top standard and the overall development of metallurgical industry, the Company developed the "national team" of the No. 1 metallurgical construction and operation service in the world with the leading core technology, persistent reform and innovation capabilities and irreplaceable metallurgical comprehensive advantage of the full industrial chain. The Company further optimized the construction of new systems for technological innovation and comprehensively enhanced the technological innovation capability while deploying the advantage of integration of technology and construction in respect of innovation and continuously creating dynamic multiplier effect of technological innovation, in order to achieve the leading effect of technological innovation which will become a new engine and momentum for the transformation and upgrade of the Company, and therefore obtained multiple major achievements. Among them, ACRE Coking & Refractory, MCC made a historical breakthrough and won great honor for the Company by obtaining the First-class Award of National Science and Technology Advancement Award, which was the first time for the Company to win a First-class Award of National Science and Technology Advancement Award as a leading party of a project. Besides, the Company accumulated over 25,000 effective patents, holding a leading position among the state-owned enterprises.

### 1. Sustained and Stable Technological Investments

In 2018, the Company continued to increase the investment in technology with a total amount of RMB8,928.52 million for the year, representing 3.08% of the operating revenue for the year, among which, investment in research and development ("R&D") amounted to RMB8,312.52 million, representing 2.87% of the operating revenue for the year. In addition, the Company had over 5,000 R&D staff. Adequate technological investment and talent pool have guaranteed and satisfied the basic needs for technological research and development of the Company.

### 2. Continuous Improvement in Technological Innovation Platform System

In 2018, the National Technology Standard Innovation Base (International Standardization of Metallurgical Engineering) undertaken by CMGC, regarding MCC as its core asset was approved for preparation and establishment, making the Company one of the first batch of the six international standard innovation bases in the China. MCC Huatian Engineering Technology Co., Ltd. (hereinafter referred to as "MCC Huatian"), MCC TianGong Group Corporation Limited and Shanghai Baoye Group Corp., Ltd., all of which are subsidiaries of the Company, were recognized as the national enterprise technology centers. As at the end of 2018, the Company have established 24 science and technology innovation platforms at the national level as approved by the Ministry of Science and Technology and the National Development and Reform Commission, and continued to be in the leading position among central enterprises.

In the meantime, the Company continued to strengthen and standardize the construction and operation management of MCC technology research institutes to consolidate their technological innovation capability and promote the level of technological innovation and efficiency of commercialization of technological achievements, and sorted out such matters as the system and mechanism construction of each technology research institute, technological investment, R&D projects and their major achievements, technological achievements and their popularization and application, the supporting role of such technology research institutes in the Company's development of relevant markets, main issues and corresponding measures. Also, the Company further consolidated its technological innovation platforms system, which is conducive to enhancing the Company's technological innovation capability and promoting the level of technological innovation, and provides better technological support for the strategic positioning of the Company.

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## 3. Breakthrough Made in Key Technological Research and Development

In 2018, the Company actively promoted the implementation of work in relation to accelerating the cultivation of the “national team” of the No. 1 metallurgical construction and operation service in the world. Establishing science research projects with a “top-down” approach and highlighting the leading role of the science research project strategy, the Company determined the key direction of science research as “high quality, high efficiency, green, intelligence”.

The Company actively organized subsidiaries to apply for national key R&D (key special project) programs, and acted as a leading party in and obtained the approval for application of 4 national key R&D programs. Among them, Central Research Institute of Building and Construction Co., Ltd. (“MCC Central Research Institute”) was the leading party in and obtained the approval for application of 2 programs: Research on Key Technologies of Environmental Protection and Energy Saving for Industrial Buildings with High Pollution Emission, and Key Technologies and Demonstrations for High-Performance Building Structural Steel Applications; China ENFI Engineering Corporation (“China ENFI”) was the leading party in and obtained the approval for application of 1 program: Multi-Component Synergistic Utilization and Directional Separation Technology for Waste Circuit Boards; WISDRI Engineering & Research Incorporation Ltd. (“WISDRI”) was the leading party in and obtained the approval for application of 1 program: High-Performance Curing/Stabilizing Materials, Technology and Equipment for Heavy Metal Tailings Reservoir Pollution. The Company enhanced its influence and power in relevant technology sectors via leading or participating in the application of the national science research programs (topics).

## 4. Gradual Improvement in the Intellectual Property System

In 2018, the Company strengthened the layout, application and operation of patents and built a patent technology network with core competitiveness based on three areas, namely “metallurgical construction, infrastructure and emerging industries”, thereby establishing an intellectual property system supporting the development of principal business. The Company has 25,340 valid patents, of which 6,811 were invention patents. CMGC, regarding MCC as its core asset, as well as its three subsidiaries of the Company, were recognized as the Model Enterprise of Intellectual Property at National Level and one subsidiary of the Company was named as the Enterprise with Intellectual Property Advantages at National Level. So far, the Company and a total of ten subsidiaries were upgraded to the Model Enterprise of Intellectual Property at National Level and another six subsidiaries of the Company were named as the Enterprise with Intellectual Property Advantages at National Level. In addition, the Company obtained 12 outstanding China patent awards during the period.

## 5. “Going Out” Strategy Supported by International Standards

In 2018, the Company actively promoted the compilation of international standards to provide technological support to the Company’s participation in global market competition. Except for promoting the construction of National Technology Standard Innovation Base (Metallurgical Engineering International Standardization), the Company also established the first batch of the six professional technological standard research institutions, newly hosted 2 international standards and issued 1 international standard and won 2018 IEC 1906 Award, which represented another significant achievement in implementing the international standardization strategy, thereby improving the Company’s reputation and brand influence in the international standardization work. Meanwhile, the Company issued and hosted to compile 10 national standards, strengthening the Company’s power in standardization at the national level; and issued 4 enterprise technology standards of the Company and hosted 21 new standards, enhancing the Company’s power and competitiveness of science and technology in emerging industries.



## 6. Obtaining Various Awards in Technological Innovation

In 2018, the Company obtained 2 National Science and Technology Awards, among which, ACRE Coking & Refractory, MCC made a historical breakthrough and won great honor by obtaining the First-class Award for National Science and Technology Advancement Award, which was the first time for the Company to win a First-class Award for National Science and Technology Advancement Award as a leading party. MCC Central Research Institute obtained the Second-class Award for National Science and Technology Advancement Award as a secondary completion unit. It also received 18 prizes for the 2018 Metallurgical Technology Award including 7 first-class awards (as nearly half of the total number of the first-class awards); and 5 honors in National Science and Technology Award of the China Non-ferrous Metals Industry Association including 3 first-class awards, creating a new record in the quantity and quality of the awards. These awards further enhanced both the Company's influence and its power in the industry.

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

In 2018, the Company continued to strengthen the construction of demonstration projects for new technology application undertaken by the Central Research Institute of Building and Construction Co., Ltd. and approved 47 new demonstration projects for new technology application to be undertaken by the Central Research Institute of Building and Construction Co., Ltd., and organised inspection and acceptance work in respect of 35 demonstration projects for new technology application of this company. The Company produced considerable economic and social benefits via continuously promoting the construction of demonstration projects for new technology application undertaken by the Central Research Institute of Building and Construction Co., Ltd., which is an effective way to promote achievements of the Company, and further enhanced the market competitiveness of MCC and built the brand image of MCC. In the meantime, the Company made efforts in promoting the BIM technology application and advanced the BIM high quality development. The Company also held BIM competitions and initiated the preparation of the first BIM standard of the Company, namely the BIM Technology Implementation Guidance for Metallurgical General Engineering Project.

## V. MAJOR CUSTOMERS AND SUPPLIERS

For details, please refer to "(4) Information of major customers and major suppliers" on pages 45 of this report.

## VI. RESERVES AND DISTRIBUTABLE RESERVES

Movements in the reserves of the Company during the Reporting Period are set out in the consolidated statement of changes in shareholders' equity from pages 150 to 153 of this report and Note VII 46 to the consolidated financial statements on page 269.

Pursuant to the Company Law of the People's Republic of China (the "Company Law"), undistributed profits could be distributed as dividend upon deducting statutory surplus reserve. As at 31 December 2018, the undistributed profit of the Company amounted to RMB2,071.070 million.

## VII. DONATIONS

During the Reporting Period, the Company did not make charitable and other donations. For details of poverty alleviation, please refer to "I. Performance of poverty alleviation by the Listing Company" on page 74 of this report.

## VIII. DIVIDENDS

For the details of the cash dividend distribution proposal of the Company during the Reporting Period, please see "I. Proposal for Profit Distribution for Ordinary Shares or Transfer of Capital Reserve to Share Capital" on page 62 of this report.

# REPORT OF DIRECTORS

## IX. PROPERTIES HELD FOR DEVELOPMENT AND SALE

Locations	Current use of land	Site area (sq.m.)	Floor area (sq.m.)	Status of project	Progress towards completion	Estimated completion date	Percentage of the interest attributable to the Company in the development projects
Land lot in Binjiang, Nanjing, Jiangsu Province	Commercial & residential	323,048.12	890,929.83	Under construction	70.87%	2020	98.52%
Jiangbei District, Chongqing	Commercial & residential	678,259.00	218,634.00	Under construction	81.38%	2020	100.00%
Qingshan District, Wuhan, Hubei Province	Residential	59,102.00	236,868.00	Under construction	83.77%	2023	93.33%
Hengqin New Area, Zhuhai City, Guangdong Province	Commercial & residential	19,897.61	199,615.60	Under construction	26.90%	2019	100.00%
Yuhua District, Shijiazhuang City, Hebei Province	Commercial & residential	102,994.55	580,389.21	Under construction	51.11%	2019	100.00%

## X. RISK FACTORS

For risk factors faced by the Company, please refer to “(IV) Possible risks and measures adopted by the Company” on page 58 of this report.

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

MCC has been adhering to the scientific outlook of development of “serving environmental protection by technology, promoting development by energy conservation and emission reduction”, firmly establishing the concept of construction and production of “green construction and clean production”, constantly promoting structural reform, transformation and upgrading of the Company, regarding the concept of greenery development as a long-term goal, improving the rules and regulations on environmental protection, and strengthening environmental pollution control and environmental risk prevention management. It formulated the “Administrative Measures for Energy Conservation and Environmental Protection of MCC” (《中國中冶節能環保管理辦法》), the “Implementation Rules for Energy Conservation and Environmental Protection Organization System and Job Responsibilities of MCC” (《中國中冶節能環保組織體系及崗位職責實施細則》), the “Implementation Rules for Energy Conservation and Environmental Protection Inspections of MCC” (《中國中冶節能環保檢查實施細則》), the “Implementation Rules for Energy Conservation and Environmental Protection Reports of MCC” (《中國中冶節能環保報告實施細則》), the “Integrated Emergency Response Plan of Environmental Emergencies of MCC” (《中國中冶突發環境事件綜合應急預案》), the “Work Manual of Energy Conservation and Emission Reduction of MCC” (《MCC節能減排工作手冊》), and the “Green Construction Demonstration Atlas of MCC” (《中國中冶綠色施工示範圖集》) and other documents, which covered such contents as overall requirements of energy conservation and environmental protection management, supervision and inspection, responsibility of reporting, education and training, assessment, rewards and punishment, as well as integrated emergency response management of environmental emergencies. Such rules and regulations could satisfy the latest national requirements on energy conservation and environmental protection management, proactively advocate energy conservation and emission reduction of the Company, and promote green construction and related work.

# REPORT OF DIRECTORS

As a national innovative enterprise, MCC has 13 A grade research and design institutes, and 15 large-scale construction enterprises. Over the years, the Company has been actively putting into practice the five development ideas – “innovation, coordination, green, openness and sharing”. It has been committed to the research of energy conservation and environmental protection technology and the research and development of equipment in the area of metallurgical engineering and emerging business. The Company leveraged its technology advantages, focused on the commencement of research on emerging technology and technological innovation of pollution treatment in the metallurgical industry, sewage treatment, atmospheric treatment, solid waste treatment and soil remediation in municipal and other fields, and formed a large number of energy conservation and environmental protection technologies meeting domestically leading and internationally advanced standards. In order to strive for pollution prevention, we proactively contributed to enhancing ecological civilization and building a beautiful China.

The Company has been the top dog in respect of the sewage treatment in the industry, and is the industry leader in respect of municipal water supply and drainage, reuse of recycled water, disposal of industrial wastewater, water treatment of lakes and urban rivers, urban drinking water and other fields, forming high calibre and influential enterprises in the scope of water environment treatment, with MCC Huatian, China ENFI, and WISDRI as the representatives. The Company, which developed a large number of core technologies and over a hundred of authorized patents, is the supporting entity for the “development of major environmental protection technologies and equipment encouraged by the state”, with multiple wastewater treatment technological achievements reaching an advanced level both domestically and abroad, and multiple national and industrial technology research and development platforms, such as water environment technology research institute. Among which, the new technology of synergistic removal of biological nitrogen and phosphorus from municipal wastewater, which is a domestic initiative by MCC Huatian, has reformed the traditional methods of dephosphorization, in particular dephosphorization with drugs; the new technology of destabilization and decolorization of high-color industrial wastewater, which is a domestic initiative, has been successfully applied to practice, arousing great response in the industry. MCC Huatian has established in succession 14 water management companies and over 10 water environment project departments in Hebei, Anhui, Hubei, Shandong, Jiangsu, Zhejiang, Gansu, Fujian and Jilin etc., undertaking over 300 industrial wastewater treatment projects. The development of water environment treatment business has transformed from point-form and linear development to horizontal development.

In terms of waste incineration power generation, China ENFI, a subsidiary of the Company, invested in the construction and operation of the waste incineration power generation BOT projects in Xiangyang and Ganzhou, respectively, effectively eliminating the phenomenon of “Garbage Siege” and achieving the harmless treatment, recycling and reduction of urban domestic waste. China ENFI has undertaken over 70 waste incineration power generation and solid waste treatment consultation and design projects, accounting for nearly 30% of total waste incineration power generation throughout the country, ranking the first place in the domestic design industry.

With the technical advantages and project experience with respect to engineering development, design and construction, MCC has widely applied green and low-carbon technologies to build a large number of green constructions, and obtained numerous international and domestic awards. In 2018, the Company continued the implementation of the “Green Construction Demonstration Atlas of MCC”, comprehensively promoted standardized management, put forward green construction management ideas, selected the standardized procedures from standardization of brand identification, four conservations and one environmental protection as well as green construction. Meanwhile, the Company comprehensively promoted the standardized management level of the Company’s engineering projects, and has already applied to China Construction Industry Association for 16 projects to be named as the 2018 “National Construction Industry and Green Construction Demonstration Project”.

For further details of the environmental policy and performance of the Company, please refer to “(III) Information on environmental protection of the Company” on page 77 of this report. For details of the performance of social responsibilities by the Company, please refer to the 2018 Social Responsibility Report as separately prepared and disclosed by the Company.

## XII. EMPLOYEES

For details of the employees, please refer to “VI. Employees of the Company and Principal Subsidiaries” on page 112 of this report.



# REPORT OF DIRECTORS

## **XIII. LEGAL LIABILITIES WHICH HAVE SIGNIFICANT IMPACT ON THE COMPANY**

During the Reporting Period, the Company was not under investigation by judicial authorities or subject to administrative penalties by relevant government authorities due to violation of laws, regulations and policies which have significant impact on the businesses of the Company. For details of the quality control system, compliance with laws and regulations in relation to production safety and operation of the production safety system of the Company, please refer to “7. Operation of the Quality Control System and Production Safety System of the Company” on page 52 of this report.

## **XIV. LIST OF DIRECTORS**

For the list of Directors during the Reporting Period and as at the date of this report, please refer to “Particulars of Directors, Supervisors, Senior Management and Staff” on page 96 of this report.

## **XV. LIABILITY INSURANCE PURCHASED FOR DIRECTORS AND SUPERVISORS**

In 2018, the Company renewed the liability insurance of directors, supervisors and senior management with Huatai Property Insurance Co., Ltd. and People’s Insurance Company of China Limited for Directors, Supervisors, senior management and management personnel with management and supervising responsibilities.

## **XVI. EQUITY-LINKED AGREEMENTS**

During the Reporting Period, no equity-linked agreement were entered into by the Company.

## **XVII. INFORMATION OF TAX DEDUCTION FOR HOLDERS OF LISTED SECURITIES**

The shareholders of the Company are taxed and/or enjoy tax relief for the dividend income received from the Company in accordance with the Individual Income Tax Law of the People’s Republic of China, the Enterprise Income Tax Law of the People’s Republic of China, and relevant administrative rules, governmental regulations and normative documents. Please refer to the announcement published by the Company on the website of Shanghai Stock Exchange on 9 July 2018 for the information on income tax in respect of the dividend distributed to the holders of A Shares and on the HKEXnews website of the Hong Kong Exchanges and Clearing Limited on 6 July 2018 for the information on income tax in respect of the dividend distributed to the holders of H Shares during the Reporting Period.

# BUSINESS DISCUSSION AND ANALYSIS

## I. PRINCIPAL OPERATION RESULTS DURING THE REPORTING PERIOD

During the Reporting Period, the operating revenue of the Company amounted to RMB289,534,523 thousand, representing a year-on-year growth of 18.66%, the total profit amounted to RMB9,524,444 thousand, representing a year-on-year growth of 6.13% and the net profit attributable to shareholders of parent company amounted to RMB6,371,580 thousand, representing a year-on-year growth of 5.12%.

### (I) Analysis on major operating business

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

Unit: RMB'000

Items	Amount for the current year	Amount for the prior year	Change in proportion (%)
Operating revenue	<b>289,534,523</b>	243,999,864	18.66
Operating costs	<b>253,121,966</b>	212,052,305	19.37
Selling expenses	<b>2,108,541</b>	1,961,287	7.51
Administrative expenses	<b>8,569,093</b>	7,681,869	11.55
Research and development expenses	<b>7,182,666</b>	5,336,045	34.61
Financial expenses	<b>3,252,219</b>	3,020,031	7.69
Net cash flows from operating activities	<b>14,049,970</b>	18,417,847	-23.72
Net cash flows from investing activities	<b>-11,737,447</b>	-18,281,963	N/A
Net cash flows from financing activities	<b>-5,930,183</b>	-2,100,336	N/A

#### 1. Analysis on revenue and costs

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

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

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

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

# BUSINESS DISCUSSION AND ANALYSIS

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

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

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

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

① Impact from changes in the tax policy

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

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

② Impact of the fluctuation in exchange rate and monetary policy

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

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

- 4) Overseas tax policies and their changes

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



# BUSINESS DISCUSSION AND ANALYSIS

## 5) Changes in major raw materials prices

The Company's engineering contracting, resources 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 manufacturing business require steel and electronic parts etc. Changes in the prices of the aforementioned raw materials due to factors such as supply, market conditions and costs on materials will impact the Company's costs of the corresponding raw materials and consumables.

## 6) Construction subcontracting expenses

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

## 7) Operation of subsidiaries and key projects

The final result of the third party's auditor of the Western Australia SINO Iron Ore EPC General Contract Project, the progress of MCC Real Estate in the Project of Xiaguan District of Nanjing, the recovery of payment for contract work from the government and its financing platforms and the investment and operation of the PPP project and the recovery of payment for some steel and iron enterprises will significantly affect the future financial performance of the Company.

## 8) Enhancement in the quality of operational management

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

## 9) Uneven distribution of revenue

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

# BUSINESS DISCUSSION AND ANALYSIS

## (2) Major business by segment and region

Unit: RMB'000

Segments	Operating revenue	Operating costs	Information of major business by segment			Increase or decrease in the gross margin as compared to that of last year
			Gross margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	
Engineering contracting	258,330,923	231,142,277	10.52	23.83	24.70	Decreased by 0.63 percentage point
Property development	22,870,252	16,356,370	28.48	-8.20	-12.67	Increased by 3.65 percentage points
Resources development	5,282,909	3,530,708	33.17	-6.74	-12.72	Increased by 4.58 percentage points
Equipment manufacturing	6,988,417	6,148,745	12.02	11.73	8.21	Increased by 2.87 percentage points

Regions	Operating revenue	Operating costs	Information of major business by region			Increase or decrease in the gross margin as compared to that of last year
			Gross margin (%)	Increase or decrease in the operating revenue as compared to that of last year (%)	Increase or decrease in the operating costs as compared to that of last year (%)	
PRC	267,015,485	234,163,683	12.30	18.72	19.94	Decreased by 0.9 percentage point
Other countries/regions	22,519,038	18,958,283	15.81	18.00	12.75	Increased by 3.92 percentage points

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

Description of major business by segment and region

### 1 Explanation on Major Business by Segment

#### ① Engineering contracting business

Engineering contracting business is the traditional core business of the Company which is mainly carried out by way of EPC contract and general financing and construction contracting contract, and is currently the major source of income and profits of the Company. The gross profit margins of the engineering contracting business for the year 2018 and 2017 were 10.52% and 11.15%, respectively, with a year-on-year decrease of 0.63 percentage point. The decrease was mainly due to fierce competition from the items and an increase in the price of materials.

# BUSINESS DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Items of revenue	2018		2017		2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	64,836,330	25.10	48,097,655	23.06	47,719,519	25.43
Housing construction engineering	107,540,465	41.63	93,677,430	44.90	88,041,621	46.92
Transportation infrastructure	54,016,566	20.91	43,856,822	21.02	31,860,213	16.98
Other engineering	31,937,562	12.36	22,980,953	11.02	20,017,337	10.67
<b>Total engineering contracting</b>	<b>258,330,923</b>	<b>100.00</b>	<b>208,612,860</b>	<b>100.00</b>	<b>187,638,690</b>	<b>100.00</b>

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

In 2018, there were 10,745 projects under construction conducted by way of EPC contract with operating revenue of RMB224.7 billion, of which the major risks were project cost risk and collection risk; and 6,093 completed construction projects under inspection and acceptance with operating revenue of RMB37.4 billion, of which the major risk was collection risk. While ensuring the pushing forward of production and operation, the Company persistently gives high importance to the risk control and management of each project, controlling cost risk and collection risk through a series of measures to improve cost management and applying diversified collection methods that are applicable to the characteristic of each project to strengthen the collection capability. Under the process of transformation and upgrades, the revenue of engineering contracting business of the Company remained stable with a slight growth. The contribution of nonmetallurgical engineering business to revenue has increased year by year while the proportion of metallurgical engineering business to revenue has decreased relatively correspondingly.

## ② Property development business

For the years of 2018 and 2017, the total gross profit margins of the Company's property development business were 28.48% and 24.83%, respectively, with a year-on-year increase of 3.65 percentage points.

## ③ Equipment manufacturing business

The Company's equipment manufacturing business mainly included metallurgical equipment, steel structures and other metal products. For the years of 2018 and 2017 the gross profit margin of the Company's equipment manufacturing business were 12.02% and 9.15%, respectively, representing an increase of 2.87 percentage points as compared with the same period last year.



# BUSINESS DISCUSSION AND ANALYSIS

## ④ Resources development business

The Company's resources development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. For the years of 2018 and 2017, the gross profit margin of the Company's resources development business were 33.17% and 28.59%, respectively, representing an increase of 4.58 percentage points as compared with the same period last year, which was mainly due to a reduction to the cost of production and nickel's price has trended toward stability and started to rise.

## 2) Explanation on Major Business by Region

For the years of 2018 and 2017, the Company realized overseas operating revenue of RMB22,519,038,000 and RMB19,083,460,000 respectively. The revenue mainly came from the engineering contracting business including the steel factory project in Kuantan, the Kuwait University Town project, property development business in Singapore, and the resources development business including the Ramu Nico Laterite Mine Project in Papua New Guinea, and Saindak Copper-Gold Mine in Pakistan.

## (3) Table of analysis on costs

Unit: RMB'000

Segment	Costs component	Amount for the current period	Situation by segment		Proportion of the amount for the same period in the previous year to the total costs (%)	Percentage change in the amount for the current period as compared to that for the same period in the previous year (%)
			Proportion of the amount for the current period to the total costs (%)	Amount for the same period in the previous year (%)		
Engineering contracting	operating costs	231,142,277	88.81	185,356,908	85.28	24.70
Property development	operating costs	16,356,370	6.28	18,728,926	8.62	-12.67
Equipment manufacturing	operating costs	6,148,745	2.36	5,682,379	2.61	8.21
Resources development	operating costs	3,530,708	1.36	4,045,439	1.86	-12.72

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

# BUSINESS DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Item of cost	2018		2017		2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	125,851,962	54.44	98,842,819	53.32	90,463,947	54.20
Materials expenses	70,538,264	30.52	55,006,410	29.68	47,828,129	28.66
Labour costs	12,567,004	5.44	10,142,600	5.47	8,775,212	5.26
Machinery usage fees	4,648,370	2.01	2,959,236	1.60	2,579,720	1.55
Others	17,536,677	7.59	18,405,843	9.93	17,249,334	10.33
Total engineering costs	231,142,277	100.00	185,356,908	100.00	166,896,342	100.00

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

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

The sales of top five major customers amounted to RMB10,463,667 thousand, accounting for 3.61% of the total annual sales; Of which, the sales of top five major customers derived from the sales to related parties amounted to RMB3,147,998 thousand, accounting for 1.09% of the total annual sales.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Company (%)
Unit 1	4,246,160	1.46
Unit 2	1,646,603	0.57
Unit 3	1,538,686	0.53
Unit 4	1,530,823	0.53
Unit 5	1,501,395	0.52
Total	10,463,667	3.61

The procurement of top five major suppliers amounted to RMB6,339,458 thousand, accounting for 2.50% of the total annual procurement; in particular, the procurement from related parties under the procurement of top five major suppliers amounted to RMB3,261,215 thousand accounting for 1.29% of total annual procurement.

# BUSINESS DISCUSSION AND ANALYSIS

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Company (%)
Supplier 1	2,553,833	1.01
Supplier 2	1,207,266	0.47
Supplier 3	1,047,667	0.41
Supplier 4	823,310	0.33
Supplier 5	707,382	0.28
Total	6,339,458	2.50

## 2. Expenses

### (1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In 2018 and 2017, the Company's selling expenses were RMB2,108,541 thousand and RMB1,961,287 thousand respectively, representing a year-on-year increase of 7.51%.

### (2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses and office expenses. In 2018 and 2017, the Company's administrative expenses were RMB8,569,093 thousand and RMB7,681,869 thousand respectively, representing a year-on-year increase of 11.55%, which was mainly due to the increase in labour costs.

### (3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In 2018 and 2017, the Company's financial expenses were RMB3,252,219 thousand and RMB3,020,031 thousand respectively, representing a year-on-year increase of 7.69%, which was mainly due to the increase in financing cost.

### (4) Research and development expenses

The Company's research expenses include personnel labour costs, direct input costs, depreciation expenses and external research and development commission expenses. In 2018 and 2017, the Company's research and development expenses were RMB7,182,666 thousand and RMB5,336,045 thousand respectively, representing a year-on-year increase of 34.61%, which was mainly because the Company increased R&D personnel and increased R&D investment.



# BUSINESS DISCUSSION AND ANALYSIS

## 3. Research and development expenditure

Table of research and development expenditure

Unit: RMB'000

Research and development expenditure for the current period	8,312,518
Total research and development expenditure	8,312,518
Proportion of total research and development expenditure to operating income (%)	2.87

## 4. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	2018	2017
Net cash flows from operating activities	<b>14,049,970</b>	18,417,847
Net cash flows from investing activities	<b>-11,737,447</b>	-18,281,963
Net cash flows from financing activities	<b>-5,930,183</b>	-2,100,336

### (1) Operating activities

In 2018 and 2017, the Company's net cash flows generated from operating activities amounted to RMB14,049,970 thousand and RMB18,417,847 thousand respectively, representing a year-on-year decrease of 23.72%. In 2018 and 2017, the cash inflow generated from operating activities mainly came from the cash receipts from the sale of goods and the rendering of service, accounting for 98.50% and 96.47% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash payments for goods purchased and services received, cash payments to and on behalf of employees and payments of various types of taxes. In 2018 and 2017, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 84.73%, 7.45%, 3.64% and 83.35%, 8.25%, 4.29% respectively.

### (2) Investing activities

In 2018 and 2017, the Company's net cash flows generated from investing activities amounted to RMB-11,737,447 thousand and RMB-18,281,963 thousand respectively. The investing activities of the Company mainly relate to engineering contracting and property development business.

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. In 2018 and 2017, the respective investing of such cash inflow with respect to the cash inflow generated from investing activities accounted for 3.84%, 11.31%, 20.02% and 4.85%, 16.31%, 29.10% respectively. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments. In 2018 and 2017, such cash outflow accounted for 40.68%, 57.11% and 21.39%, 28.25% respectively with respect to the cash outflow generated from investing activities.

# BUSINESS DISCUSSION AND ANALYSIS

## (3) Financing activities

In 2018 and 2017, the Company's net cash flows generated from financing activities amounted to RMB-5,930,183 thousand and RMB-2,100,336 thousand respectively. A large amount of net cash outflow from financing activities was mainly due to the higher amount of cash paid for debt repayment than that of cash received from borrowings, together with the cash for distributed dividend, profit and interest paid for the current period. The Company's cash inflow from financing activities mainly consisted of cash receipts from borrowings which accounted for 94.82% and 89.23% respectively of the cash inflow generated from financing activities for the years 2018 and 2017. The Company's cash outflow from financing activities mainly consisted of cash repayments of borrowings and cash payments for distribution of dividends, profits or settlement of interest expenses, accounting for 85.55%, 7.11% and 91.50%, 7.16% respectively of the cash outflow from financing activities for the years 2018 and 2017.

## (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/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/liabilities (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)
<b>Current Assets</b>	339,420,571	77.33	322,328,945	77.75	5.30
Cash and bank balances	44,477,302	10.13	43,593,622	10.52	2.03
Bills receivable and accounts receivable	87,394,440	19.91	94,253,008	22.74	-7.28
Inventories	57,608,321	13.13	118,292,878	28.53	-51.30
Contract assets	66,719,549	15.20	-	N/A	N/A
<b>Non-current Assets</b>	99,495,272	22.67	92,236,229	22.25	7.87
Intangible assets	16,133,729	3.68	15,419,183	3.72	4.63
<b>Total Assets</b>	438,915,843	100.00	414,565,174	100.00	5.87
<b>Current Liabilities</b>	297,064,935	88.35	280,135,184	88.30	6.04
Short-term borrowings	47,809,316	14.22	39,425,855	12.43	21.26
Bills payable and accounts payable	141,011,898	41.94	139,831,143	44.08	0.84
Contract liabilities	58,918,293	17.52	-	N/A	N/A
<b>Non-current Liabilities</b>	39,181,464	11.65	37,109,509	11.70	5.58
Long-term borrowings	23,793,236	7.08	23,470,743	7.40	1.37
<b>Total Liabilities</b>	336,246,399	100.00	317,244,693	100.00	5.99

# BUSINESS DISCUSSION AND ANALYSIS

## (1) Analysis on the structure of assets

### *Cash and bank balances*

As at 31 December 2018 and 31 December 2017, the balances of cash and bank balances of the Company were RMB44,477,302 thousand and RMB43,593,622 thousand, respectively, representing a year-on-year increase of 2.03%.

As at 31 December 2018 and 31 December 2017, the restricted cash and bank balances of the Company were RMB11,326,300 thousand and RMB7,129,488 thousand respectively, which accounted for 25.47% and 16.35% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, statutory reserve, guarantee deposits and frozen deposits, etc.

### *Bills receivable and accounts receivable*

As at 31 December 2018 and 31 December 2017, the carrying value of the Company's accounts receivable and bills receivable were RMB87,394,440 thousand and RMB94,253,008 thousand respectively, representing a year-on-year decrease of 7.28%, which was mainly attributable to the Company's great emphasis on the safety and completeness of accounts receivable and adopts strong measures to clear up debts, collect each of the receivables timely based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to receivables with potential risks in collectability pursuant to the accounting policies of the Company, but the efforts put to collect the receivables will not be affected.

### *Inventories*

The inventories of the Company mainly consisted of 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 manufacturing and resources development businesses in which the Company was engaged. As at 31 December 2018 and 31 December 2017, the Company's net inventories were RMB57,608,321 thousand and RMB118,292,878 thousand respectively. The net inventories decreased by 51.30%, which was mainly due to the changes in accounting policies and the completed and unsettled inventories which have been adjusted to be reported as contract assets.

### *Contract assets*

Contract assets of the Company are mainly completed and unsettled inventories and construction quality guarantee deposits with regard to the engineering contracting service contracts, as at 31 December 2018, the net contract assets of the Company amounted to RMB66,719,549 thousand.

### *Intangible assets*

As at 31 December 2018 and 31 December 2017, the aggregated carrying value of the Company's intangible assets were RMB16,133,729 thousand and 15,419,183 thousand respectively, representing a year-on-year increase of 4.63%. The Company's intangible assets mainly included land use rights, franchise right, patent and proprietary technology, as well as mining rights etc.



# BUSINESS DISCUSSION AND ANALYSIS

## (2) Analysis on the structure of liabilities

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

Long-term and short-term borrowings of the Company mainly consisted of credit loans, pledge loans and guaranteed loans from commercial banks and other financial organizations. As at 31 December 2018 and 31 December 2017, the carrying amount of the Company's short-term borrowings were RMB47,809,316 thousand and RMB39,425,855 thousand respectively, with a year-on-year increase of 21.26%. As at 31 December 2018 and 31 December 2017, the carrying amount of the Company's long-term borrowings were RMB23,793,236 thousand and RMB23,470,743 thousand respectively, with a year-on-year increase of 1.37%.

During the Reporting Period, the long-term loans and short-term loans prepaid by the Company amounted to RMB16,114,322 thousand and RMB89,451,450 thousand, respectively. During the Reporting Period, the balances of fixed-rate short-term borrowings and fixed-rate long-term borrowings amounted to RMB36,385,161 thousand and RMB9,515,310 thousand, respectively.

### *Bills payable and accounts payable*

Bills payable and accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors by the Company, as at 31 December 2018 and 31 December 2017, the Company's carrying value of accounts payable were RMB141,011,898 thousand and RMB139,831,143 thousand respectively, representing a year-on-year increase of 0.84%.

### *Contract liabilities*

Contract liabilities mainly comprises contract liabilities related to project contracting services and sales contracts. As at 31 December 2018, the Company's carrying value of contract liabilities amounted to RMB58,918,293 thousand.

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

For details of the restrictions on assets, please refer to "65. Assets with title restrictions" on page 283 of this report.

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

Analysis on the operational information in the construction industry

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

*Unit: RMB'000*

Sub-segment	Housing construction	Infrastructure construction	Metallurgical engineering	Others	Total
Number of projects ( <i>Unit</i> )	2,080	638	2,433	942	6,093
Total amount	9,425,150	12,384,990	13,266,187	2,340,005	37,416,332

*Unit: RMB'000*

Project location	Domestic	Overseas	Total
Number of projects ( <i>Unit</i> )	5,789	304	6,093
Total amount	35,408,929	2,007,403	37,416,332

# BUSINESS DISCUSSION AND ANALYSIS

## 2. Projects under construction during the Reporting Period

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Metallurgical engineering	Others	Total
Number of projects (Unit)	3,327	2,615	3,025	1,778	10,745
Total amount	99,808,296	51,651,528	55,837,073	17,363,834	224,660,731

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	9,985	760	10,745
Total amount	208,501,935	16,158,796	224,660,731

## 3. Substantial projects under construction

Applicable  Not Applicable

## 4. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total
Asia	734	16,489,252
Africa	135	822,262
South America	69	661,510
Europe	68	21,034
Oceania	41	142,549
North America	17	29,593
Total	1,064	18,166,199

## 5. Summary of completed and unsettled constructions among the inventory

Applicable  Not Applicable

## 6. Competency for construction projects of the Company

As at the end of the Reporting Period, the Company and its subsidiaries altogether held over 700 qualifications and permits of construction enterprises, covering construction investigation, construction design, construction work, construction supervision, property development etc. The number of subsidiaries with special qualifications for general contracting reached 34, among which 7 subsidiaries held 3 special qualifications, 5 subsidiaries held 2 special qualifications, and 5 subsidiaries held comprehensive qualifications for construction design.

In 2018, the Company held two newly added special qualifications for general contracting project of highways construction and achieved its first ever special qualification for general contracting qualification for highways construction.

# BUSINESS DISCUSSION AND ANALYSIS

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

In 2018, the operation of the quality control system of the Company was normal and the overall construction quality was under control without occurrence of any significant quality accident. The quality control system of the Company, which comprises three core levels, namely the headquarters, the subsidiaries and the project management department, is operated smoothly. Each of the levels stringently executes the national, industrial and local standards of quality. The Company implemented effective quality control on construction projects by various measures such as promoting self-check by subsidiaries, regional quality check, special inspection, and quality assessment which focused on promoting standardization of quality management and building quality constructions, and commenced publicity and educational activities such as “quality month” activities as safeguard measures. In 2018, the Company had won one Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎), one China Quality Award Nomination Award (individual) (中國質量獎提名獎(個人)), the National Quality Management Group’s 40th Anniversary “Benchmark QC Team” (全國質量管理小組活動40週年“標杆QC小組”), and two First Central Enterprise QC Group Results Presentation Second Prizes(首屆中央企業QC小組成果發表賽二等獎). It also received the 63 High-quality Constructions in the Metallurgical Industry (冶金行業優質工程), and won 31 Awards for Outstanding Construction Survey in the Metallurgical Construction Industry (冶金建設行業優秀工程勘察獎), 121 Awards for Outstanding Construction Design in the Metallurgical Construction Industry (冶金建設行業優秀工程設計獎) and various awards for other industries and local prizes.

In 2018, the Company persistently adheres to the production safety principle of “Safety First, Prevention Crucial, and Comprehensive Management”, earnestly implements the planning made by SASAC and the China Minmetals Corporation, while constantly strengthens the safety responsibility assessment, and held those parties involved in an accident strictly accountable; further optimized and improved emergency management system, enhanced emergency management; stringently performed core responsibilities of training and education on enterprise safety; further enhanced standardized management requirements, fervently promoted the standardized establishment of safety and civilization of on-site construction with 10 construction projects which won the honorary title of national “Standardized Site of Safety Production of Construction Engineering Project” (建設工程項目施工安全生產標準化工地); strengthened the safety inspection and control of on-site project production safety; and comprehensively enhanced the standards of production safety management of the Company.

## 8. *Financing arrangements of the Company*

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

At the end of the Reporting Period, the balance of debt financing and financing by other equity instruments of the Company amounted to RMB113,969 million, representing an increase of 6.66% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. Among which, the balances of debt financing and financing by other equity instruments amounted to RMB94,749 million and RMB19,220 million, respectively, which contributed to the further optimization of financing structure; the balance of financing due within one year and the long-term financing balance amounted to RMB62,066 million and RMB51,903 million, respectively.

In May 2018, the Company issued an amount of US\$500 million offshore perpetual bonds with a bond rate of 4.95%. It was the first time that MCC issued offshore bonds as the bond guarantor. For details in relation to the public issuance of bonds on the Shanghai Stock Exchange, please refer to page 129 of “Corporate Bonds” of this report.

# BUSINESS DISCUSSION AND ANALYSIS

## (2) Equity Financing During the Reporting Period

There was no new equity financing during the Reporting Period.

## (3) Investment in Yingtan MCC-CIF Industrial Development Partnership (LP)

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

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

## (V) Investment analysis

### 1. Overall analysis on external equity investments

Applicable  Not Applicable

#### (1) Substantial equity investments

Applicable  Not Applicable

#### (2) Substantial non-equity investment

Applicable  Not Applicable

#### (3) Financial assets measured at fair value

No.	Stock variety	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held (share)	Carrying amount at the end of the period (RMB)	Percentage in securities held at the end of the period (%)	Gain or loss incurred in the Reporting Period (RMB)
1	Shares	601005	Chongqing Iron and Steel (重慶鋼鐵)	402,875	187,661	364,064	39	-38,811
2	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	575,280	61	-690,336
Total				901,643	/	939,344	100	-729,147



# BUSINESS DISCUSSION AND ANALYSIS

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

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost	Percentage of shareholding at the beginning of the period (%)	Percentage of shareholding at the end of the period (%)	Carrying amount at the end of the period	Gain or loss incurred in the Reporting Period	Changes in owners' equity during the Reporting Period	Account category
601328	Bank of Communications	93,402	0.04	0.04	245,718	12,121	-17,824	Investments in other equity instruments
000709	Hesteel	10,337	0.79	0.79	8,081	411	-3,016	Investments in other equity instruments
600665	Tande	1,122	0.02	0.02	545	35	-131	Investments in other equity instruments
600117	Xining Special Steel	1,400	0.20	0.20	5,063	-	-3,436	Investments in other equity instruments
000005	Fountain	420	0.04	0.04	1,000	-	-545	Investments in other equity instruments
000939	Kaidi Ecological	2,502	1.10	1.10	24,391	-	-76,197	Investments in other equity instruments
601005	Chongqing Iron and Steel	206,752	1.46	1.46	111,662	-	-95,090	Investments in other equity instruments
600642	Shenergy	188	0.01	0.01	220	9	-44	Investments in other equity instruments
Total		316,123	/	/	396,680	12,576	-196,283	/

## Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment amount (RMB)	Number of shares held (share)	Percentage of shareholding to the Company (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Change in owners' equity during the Reporting Period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	-	0.54	30,000,000	-	-	Investments in other equity instruments	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	-	0.74	27,696,000	-	-	Investments in other equity instruments	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	17,097,680	-	2.20	45,097,680	2,046,000	28,000,000	Investments in other equity instruments	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	-	-	Investments in other equity instruments	By acquisition
Total	76,793,680	-	/	104,793,680	2,046,000	28,000,000	/	/

# BUSINESS DISCUSSION AND ANALYSIS

## (VI) Disposal of material assets and equity

Applicable  Not Applicable

## (VII) Analysis on holding company and joint stock company

Applicable  Not Applicable

## (VIII) Structured entities controlled by the Company

Applicable  Not Applicable

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

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

- (1) The construction industry has entered the era of "inventory competition". 40 years since reform and open-up, the construction industry in China has been advancing with rapid development. While the construction industry has experienced several adjustments in the past 40 years, it has not gone through a real sluggish period, the direct cause of which would be the persistent and rapid growth of fixed assets investment, which was regarded as the major force of boosting economic growth. Statistics showed that the overall annual average growth of social investment was recorded as high as 20.2% from 1981 to 2017. However, fixed asset investment has plummeted in the recent two years, hitting the historical low of 5.3% in August 2018. Followed by the change in pattern of economic growth, the continuous slowdown in the growth of fixed asset investment has been the main trend. Some insiders reckon that the field has entered the era of "inventory competition" when construction enterprises are facing fierce competition. This would be the overall development trend of the future construction industry for a long period of time.

On 8 January 2019, Chinese Academy of Sciences issued the report on Forecast of Fixed Assets Investment in China in 2019, stating that: after entering the second half of 2018, governments at every level successively introduced a series of policies and measures to stabilize investment, resulting that the slowdown of fixed assets investment growth has been curbed with obvious features of steady investment growth. It is expected that the growth of fixed asset investment in 2019 would be stabilized at around 6%. For the investment orientation of fixed asset investment, China Central Economic Works Conference pinpointed 2 key points: firstly, increasing the investment scale of inter-city transportation, logistics and municipal infrastructure, and bolstering the weakness of infrastructure and construction of public service facilities in rural area; secondly, revamping technology and renovation and renewal of facilities in the manufacturing industry, accelerating the 5G commercial popularity, implementing some brand-new infrastructure such as artificial intelligence, industrial internet and the Internet of Things.

- (2) The iron and steel industry has entered an era of "development with reduced capacity". Since the 80s of the last century, the steel consumption has skyrocketed to hit a historical high of 700 million tons in 2014. In 2015, the steel consumption has dipped to 660 million tons, dropping by 5% year on year. Although there was a rise in both 2016 and 2017, the overall trend was seen as "staying at the peak of the curve" and "entering into declining channel". The Metallurgical Industry Planning and Research Institute issued a report, suggesting that the iron and steel industry has entered an era of "development with reduced capacity". The most straightforward embodiment of such development would be a series of policies and measures of addressing overcapacity of iron and steel launched by the state. We shall be aware that the reducing capacity does not represent cessation of development, but in the other way round, the core of development shall be shifted from "increase in volume and capacity" to "capacity reduction and adjustment. In the course of development with reduced capacity, green and efficient, innovation development become the common goal of iron and steel enterprises. The Ministry of Industry and Information Technology's Iron and Steel Industry Adjustment and Upgrade Plan (2016-2020) (《鋼鐵工業調整升級規劃(2016-2020年)》) pointed out that in the future five years, the iron and steel industry will no longer be a period of large-scale development. Instead, it will enter the development stage focusing on structural adjustment, transformation and upgrading. MCC shall grasp the development trend of the iron and steel industry, and seek for new business opportunities in the development of the iron and steel industry.

# BUSINESS DISCUSSION AND ANALYSIS

In 2018, the iron and steel industry operated steadily with a rise in efficiency, while investment climate started to warm up. An iron and steel investment craze with the main theme of relocation for environmental protection, structural adjustment and transformation upgrading was formed in silence. National Bureau of Statistics showed that the fixed assets investment in black metals refining, rolling and processing industry has ended the loss for four consecutive years by turning the figures from negative to positive earlier this year, presenting a gradual acceleration trend with over 10% growth in July and 16% growth in August. Experts in the industry generally reckon that during the expected 3 to 5 years, the iron and steel investment in China would remain operation at a high level. In addition, nearly 70% of China's key iron and steel enterprises are located in cities, and the contradiction between ecological environment and urban development is increasingly prominent. Relocation of environmental protection alone will bring about tremendous market opportunities.

## (II) Development strategy of the Company

Under the guidance of the development vision of “focusing on the core business in building a better MCC”, the Company further proposed the new strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality” in the new normal. And “Four Beams and Eight Columns” is the operating system and product positioning under this new strategic positioning, being the organic integration of future development direction, ambitious goals and pathways for realization, which are closely interrelated and associated with the same origin.

National team for metallurgical construction: The Company is committed to building the best national team for metallurgical construction comprising approximately 18,000 members according to the world-class standard in eight major sectors and 19 business units of steel construction, constantly increasing investment in R&D, focusing on major and frontier areas of metallurgical engineering, improving innovation capability in key segments and main areas, making major breakthroughs in a number of key technologies and major equipment, thereby reaching the international advanced level in main units of iron and steel as well as system integration engineering technology. The Company fully utilizes its strength and resources of domestic and foreign strategic customers, core equipment manufacturers and information service providers through integrating the resources of R&D, consulting, design, equipment, construction, operation and others within and outside the Company, so as to improve the overall standard of the Company in metallurgical engineering construction and operation. With top-notch core technologies, incessant reformational and innovation capabilities as well as irreplaceable whole-industry chain integration advantage in metallurgical construction, the Company strives to increase its share of the global metallurgical construction market from 60% to 80% in three years, shoulders the state responsibility for leading China to a higher level of development of metallurgy and builds the best and the largest “national team” of metallurgical construction and operational services in the world.

Main force for fundamental construction: The Company is committed to seizing the “Belt and Road” initiative, tapping the huge potential in infrastructure construction across the countries and regions along the Belt and Road, grasping the changing trend of domestic consumption patterns and the requirements under the energy conservation and environmental protection policy, endeavoring to develop its differentiated business, enhancing the combination of techniques and capital, increasing market penetration, extending market influence, achieving the goal of “promoting scale and benefits simultaneously and contribution as the top priority” by virtue of the combination of industry and finance in infrastructure business areas including housing construction, transportation and municipal infrastructure construction and mid-to-high end real estate and hence developing into the main force for the national fundamental construction and the implementation of the “Belt and Road” strategy. In response to the requirements of national fundamental construction for the development of steel structure business, the Company firmly seizes the market opportunities of industrialization of residential properties and integrates existing stock resources and develops the united brand of “MCC Steel Structures” based on the principle of “giving support to excellent and strong enterprises” (mainly construction corporations). In addition to underpinning industrial steel structures, the Company exerts great efforts in expanding steel structures for civil buildings and infrastructure, and focuses on enlarging markets for super high-rise buildings, municipal, bridge, nuclear power, marine engineering and other steel structures whilst improving economic benefits of steel structure business.



## BUSINESS DISCUSSION AND ANALYSIS

Forerunner of the emerging industries: The Company keeps up with the pace of new industrialized, informationalized, urbanized and agriculturally modernized national construction, and seeks for market opportunities and direction for improving the quality and efficiency of the economic development of emerging industries. The Company, guided by market demand and driven by technological breakthrough, with capital strength and business mode as “multipliers”, obtains the dominant position in the market by constructing urban integrated subterranean piping system, construction of large theme parks, sponge city, smart city, beautiful countryside, healthcare, environment and new energy (in particular sewage treatment and pipe network operation, reuse of recycled water, solid waste disposal, soil remediation, energy conservation and emission reduction as well as photovoltaic power generation) for capturing market share, arranging layout and pursuing large-scale development. The Company centralizes resources coordination for conducting research on key and generic technologies for emerging industries, proactively takes the lead in compiling relevant specifications and standards, establishing relevant technical systems and standard systems, acquires core technologies, develops core products, comprehensively improves overall planning and execution capabilities, and hence ensures the Company to occupy the market leadership with its state-of-the-art technology and become the industry’s leading enterprise with high-end technologies, products and markets. The Company strives for being the pioneer in the process of national new urbanized construction, especially the idea, design and construction of sponge city, beautiful countryside, smart city and urban piping system, so as to support the successful transformation development of the Company.

Long-term adherence to pursuing the path for the quality development with advanced technologies: Covering all-rounded enterprise management including innovative corporate culture, personnel incentive mechanism, investment in scientific and technological research and development and business development strategies. Consolidating and building up technological innovation is the primary driver for development of the Company. By setting up a goal of creating optimum engineering in accordance with the requirements of high quality development, the craftsmanship spirit is safeguarded to enhance the fine management level of quality standardization. By creating a set of excellent projects that represents the outstanding construction capabilities of MCC, the Group’s quality brand is well-promoted. For the purpose of building the national team for metallurgical construction, the Company has developed the metallurgical engineering technology innovation mechanism based on the MCC technological research institute as the main platform and 19 business units and operating segments in metallurgical engineering field as the frontier research platform. The Company shoulders the state responsibility for leading China to a higher level of development of metallurgy through continuous technological innovation as well as development of and improvement on the quality of iron and steel industry. With the mission of building the main force for fundamental construction, the Company has replenished 17 national-level scientific and innovation platforms and national-level key laboratories including the “State Research Center for Steel Structure Works Technology”, to effectively perform their functions of technological leadership and quality assurance in the area of infrastructure construction, and to make contributions to raising the overall level of fundamental construction in the PRC as well as promoting the implementation of the “Belt and Road” initiative. With the mission of developing into the forerunner in the emerging industries, the Company has successively established 6 technological research institutes, including a technological research institute for integrated piping system, a technological research institute for sponge city, a technological research institute for beautiful countryside and smart city, a technological research institute for theme parks, a technological research institute for healthcare industry and a technological research institute for water environment. The Company proactively takes the lead in compiling relevant specifications and standards, establishing relevant technical systems and standard systems, acquires core technologies, develops core products, highlights professional advantages, emphasizes featured areas and hit products, and hence ensures MCC to occupy the market leadership with its state-of-the-art technology and become the leading enterprise of the related industry.



# BUSINESS DISCUSSION AND ANALYSIS

## (III) Operational plan

The Company expected to record an operating revenue of RMB258 billion in 2018, and actually recorded an operating revenue of RMB289.5 billion, surpassing the operating target.

In 2019, the Company plans to achieve an operating revenue of RMB305 billion.

## (IV) Possible risks and measures adopted by the Company

### 1. *Risks associated with macro-economy*

The principal businesses engaged by the Company including engineering contracting and property development are closely related to various factors, such as operating condition of the macroeconomies of the State, fixed assets investments in the iron and steel industry, development of the construction industry and urbanization process, etc. Currently, the world's economic growth faces larger downward pressure. Developed countries and emerging markets will likely show a declining tendency with tightening financial environment in short term, weak bulk commodity prices and slowdown in growth of trading. The decrease in commodity prices has led to a decrease in profit, which is not favorable for overall corporate investment. The fundamental factors of a steady growth in domestic economy remain unchanged. However, coupled with the impact of multiple factors including trade friction, debt risks, backward production capacity and emergence of deep structural contradictions, larger downward pressure exists in domestic economic growth. Slowdown of rapid investment in fixed assets, structural adjustment to the iron and steel industry, standardization of the local government's debt management and further stringent control of risks and other factors will bring uncertainties to the business development of the Company.

The Company will manage reasonable expectations, adjust its operating strategies and leverage on its favorable conditions for development in order to advance the high quality development of the enterprise.

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

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

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

# BUSINESS DISCUSSION AND ANALYSIS

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

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

As “the main force for fundamental construction and the forerunner of the emerging industries”, the Company has actively responded to the risk of competition in the non-steel engineering markets with open mind and advanced with time, and further adapted to the environmental changes. It has expanded the research and innovation of business models such as PPP model and constantly improved the design and operation of “macro environment, heavyweight clients and mega projects”. It devotes its efforts to developing the non-steel engineering markets such as premium property construction, highways, transport and municipal infrastructure, integrated subterranean piping systems, sponge city, smart city and beautiful countryside by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital. It endeavors to build up an entire industrial chain capability for one-stop services, enhance its brand influence, vigorously expand and develop markets and continuously strengthen risk resistance capability 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, for the purpose of building a long-term mechanism for sound development of the real estate market, the Company adhered to the principle of “houses should be built for living, not for speculation”, adopted policies that were tailored to characteristics of each city, provided guidance according to classification and consolidated the main duties of the city government to optimize the housing market system and housing security system. The degree of concentration of the industry further enhanced in 2018. Market differentiation was obvious in various cities. Market prices cooled off in the land market of hotspot cities. The operating performance of property companies remained diversified. Sizable property companies has yielded continuous significant results in their economy of scale in relation to sales, land acquisitions, products, marketing, financing and diversified layout and other areas. The macroeconomic control measures is expected to be loosened under the keynote of stabilizing the property market. The property companies should adapt to the market trend and seek new breakthrough even at the new stage of development. On one hand, corporations need to grasp the structural opportunities and concentrate on the surrounding cities of metropolitan clusters and the cities supported by an industrial population due to divergence in different cities. On the other hand, the Company should exercise caution on market risks, especially the high inventory risks of the commercial property market.

The Company closely studied its policies and optimized its business model. It adhered to what the Company can do to ensure its steady growth and grasped the rhythm of real estate cycle, adopted policies that were tailored to characteristics of each city, and responded to the trend, such as tracking the land market in popular areas for investment through property purchase and enterprise development. Acquiring land resources and de-stocking are concurrently proceeded. Under the premise that risks are reasonably controlled, high-end and high-quality projects were constructed.

# BUSINESS DISCUSSION AND ANALYSIS

## 5. *Risks associated with financial segment*

International and domestic markets are facing more complex financial environment. The world economy is slowly recovering from the bottom level, and the continuing interest rate hike for US dollars is not expected to decline. The global financial environment continues to contract. Affected by the Sino-US trade frictions, world economic trend and monetary policies, etc., it becomes more difficult to predict the trend of exchange rate. Domestically, the government sticks to the principle of maintaining a stable and neutral monetary policy with appropriate flexibility, and continuously deepens the reform of financial system. Recent policies have shown signs of loosened regulation; however, it is unlikely that the monetary policy will be fully relaxed.

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

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

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

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

## 7. *Risks associated with international operations*

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

## 8. *Environmental and social risks*

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



# BUSINESS DISCUSSION AND ANALYSIS

## 9 *Risks associated with data fraud or theft*

During the Reporting Period, MCC did not get involved in any data fraud and theft cases.

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

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

## 10. *Cyber risk and security*

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

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



# SIGNIFICANT EVENTS

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

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

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

#### 1. *Basic Principles for the Profit Distribution Policy*

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

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

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

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

Special occasions shall refer to one of the followings:

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

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

# SIGNIFICANT EVENTS

## 3. *Procedures for Considering the Distribution Policy*

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

## 4. *The withholding and exemption of dividend income tax shall be conducted in accordance with the relevant laws and regulations.*

## 5. *2018 Profit Distribution Proposal*

MCC's consolidated net profit in the audited consolidated statement attributable to Shareholders of the Company in 2018 was RMB6,371,580 thousand, and MCC's undistributed profit was RMB2,071,070 thousand. The Company proposed to use the total share capital of 20,723.62 million shares as the base to distribute a cash dividend of RMB0.70 (tax inclusive) for every 10 shares and the total cash dividend is RMB1,450,653 thousand. The remaining undistributed profit of RMB620,417 thousand will be used for the operation and development of the Company and rolled over to the coming year for distribution. The total cash dividend proposed by the plan accounts for 22.77% of the net profit attributable to the Shareholders of listed company in the consolidated statements of MCC in 2018.

## 6. *Explanation on 2018 Profit Distribution Proposal and Opinions of Independent Directors*

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

The profit distribution proposal has satisfied the requirements of the relevant laws and regulations, and Articles of Association, and the distribution amount of each share recorded a growth as compared with last year. The annual cash dividend of MCC has achieved growth for 5 consecutive years since 2014, demonstrating a sound development and a sustained dividend distribution capability of MCC, and MCC's determination to return Shareholders with its operating results and safeguard Shareholders' investment interests. Meanwhile, after the profit distribution, the retained portion will be used in supporting the operating development of the Company, and advancing the value of the Company as a whole, which meets the fundamental interests of the Shareholders.

MCC has actively explored the market and innovation development, vigorously promoted PPP business, proactively participated in the construction of Xiong'an New District, vigorously expanded business areas such as urban integrated piping system, sponge city, beautiful countryside and smart city. accelerated the pace of "going out" by relying on "the Belt and Road" national initiative, which has received satisfactory results and laid foundation for sustainable and steady development of the Company.

# SIGNIFICANT EVENTS

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

All entities comprising MCC actively participated in the development of Xiong'an New Area, construction of urban infrastructure and PPP projects in order to further reinforce the market competitiveness and sustainability of such entities. Retained profit will be used to increase capital investment in such entities and support the liquidity necessary for daily operations. The Company will continue to enhance the efficiency of fund operation so as to enhance the overall profitability of the Company and to have returns rewarded to Shareholders in a better manner.

(3) Opinions of the Independent Directors

The Company's 2018 profit distribution proposal complies with the provisions of the relevant laws, regulations and the Articles of Association, reflects the rationality and moderate growth of the profit distribution, and also takes into the account the reasonable returns to investors and the sustainable development of the Company, fulfilling the long-term interests of investors and the needs of the Company's development. The interests of minority Shareholders are not impaired. We agree to the Resolution regarding MCC's 2018 Profit Distribution (《關於中國中冶2018年度利潤分配的議案》) and agree to submit the same to the 2018 annual general meeting for consideration and approval.

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

Unit: RMB'000

Dividend year	Number of bonus shares to be distributed for every 10 shares <i>(in share)</i>	Amount of dividend to be distributed for every 10 shares <i>(Yuan) (tax inclusive)</i>	Number of shares to be transferred/ added for every 10 shares <i>(in share)</i>	Amount of cash dividend <i>(tax inclusive)</i>	Net profit	Ratio accounted
					attributable to the holders of ordinary shares of the listed company in the consolidated statement for the dividend year	for net profit attributable to holders of ordinary shares of the listed company in the consolidated statement <i>(%)</i>
2018	0	0.70	0	1,450,653	6,371,580	22.77
2017	0	0.68	0	1,409,206	6,061,488	23.25
2016	0	0.60	0	1,243,417	5,375,858	23.13

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

Applicable  Not Applicable

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

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## II. PERFORMANCE OF UNDERTAKINGS

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

Undertaking background	Type of undertaking	Undertaking party	Details of the undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
Undertakings in relation to the initial public offering	Solution of peer competition	CMGC	CMGC, 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	CMGC	Special Self-Inspection Report On the Real Estate Business for the Purpose of the Non-public Issuance of A Shares of the China Metallurgical Group Corporation in 2015 disclosed MCC's development of domestic commodity houses during the Reporting Period, in a true, accurate and complete manner. If there is any undisclosed violation of laws and regulations in respect of the delay in developing acquired land, land speculation, hoarding of properties and driving up of property prices by price-rigging within the scope of the self-inspection of MCC, which causes losses to MCC and its investors, the undertaking party shall bear the corresponding liability for compensation.	29 September 2015	No	Yes	-	-
Undertakings in relation to the corporate bonds	Others	MCC	During the term of Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Fourth Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* (collectively, "2017 Renewable Corporate Bonds"), if the Company does not expect to pay the principal of and interest on such bonds on time or fails to pay the principal and interest on time at the maturity date of such bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary shareholders; (2) no reduction in registered capital.	From the issuance date of 2017 Renewable Corporate Bonds to the maturity date of such bonds	Yes	Yes	-	-
			During the term of Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2017 Corporate Bonds"), if the Company does not expect to pay the principal of and interest on this tranche of bonds on time or fails to pay the principal and interest on time at the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary shareholders; (2) no reduction in registered capital.	25 October 2017 to 25 October 2022	Yes	Yes	-	-
			During the term of Corporate Bonds (First Tranche) for 2018 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2018 Corporate Bonds"), if the Company does not expect to pay the principal of and interest on this tranche of bonds on time or fails to pay the principal and interest on time at the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.	8 May 2018 to 8 May 2023	Yes	Yes	-	-
			The proceeds raised from 2017 Renewable Corporate Bonds, 2017 Corporate Bonds and 2018 Corporate Bonds are used only for production and operating activities of enterprises that comply with national laws, regulations and policies. Such raised proceeds will be used strictly in accordance with the agreed purpose mentioned in the prospectuses. Such proceeds will not be used by others and will not be used as non-production expenditures or in real estate business. A practical and effective monitoring mechanism and isolation mechanism for raised proceeds will be established.	The issuance dates of 2017 Renewable Corporate Bonds, 2017 Corporate Bonds and 2018 Corporate Bonds	No	Yes	-	-



# SIGNIFICANT EVENTS

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

Realized       Not Realized       Not Applicable

- (III) **Fulfillment of performance undertakings and its impact on goodwill impairment test**

Applicable       Not Applicable

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

Applicable       Not Applicable

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

Applicable       Not Applicable

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

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

In 2017, the Ministry of Finance newly revised the Accounting Standards for Business Enterprises No. 14 – Revenue, Accounting Standards for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 – Hedging Accounting and Accounting Standards for Business Enterprises No. 37 – Financial Instrument: Presentation, and issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the Year 2018 on 15 June 2018. The above changes in accounting polices did not impose material impact on the Company. For details, please refer to Note V28 to the “Financial Report” of this report.

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

Applicable       Not Applicable

- (III) **Communication with former accounting firm**

Applicable       Not Applicable

- (IV) **Other explanations**

Applicable       Not Applicable

# SIGNIFICANT EVENTS

## VI. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Unit: RMB

	Current Appointment
Name of domestic accounting firm	Deloitte Touche Tohmatsu CPA LLP
Remuneration of domestic accounting firm	20,700,000
Term of audit by domestic accounting firm	5 years

Unit: RMB

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

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

### Description of appointment and dismissal of accounting firm

Upon approval at the 2017 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP ("Deloitte Touche Tohmatsu") as its auditors for the year 2018, responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the Accounting Standard for Business Enterprises. Meanwhile, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided statutory financial audit services for certain subsidiaries.

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

Deloitte Touche Tohmatsu has provided annual audit services for the Company for five consecutive years. The signing certified public accountants for the 2018 audit report are Ma Yan Mei and Chen Wen Long, who have acted as the signing certified public accountants and have been providing audit services for the Company for five consecutive years.

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

Applicable  Not applicable

## VII. RISK EXPOSURES TO SUSPENSION OF LISTING

### (I) Reasons for suspension of listing

Applicable  Not applicable

### (II) Measures proposed by the Company in response to risks

Applicable  Not applicable

# SIGNIFICANT EVENTS

## VIII. SITUATION OF AND REASONS FOR DELISTING

Applicable  Not applicable

## IX. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable  Not applicable

## X. MATERIAL LITIGATION AND ARBITRATION

The Company had material litigation and arbitration in the year  The Company had no material litigation and arbitration in the year

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

Applicable  Not applicable

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

During the Reporting Period, the Company and its Controlling Shareholder, CMGC, did not have any court ruling in effect that was yet to be executed or any overdue liability with a relatively significant outstanding amount and was not otherwise involved in any other similar circumstances.

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

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

#### Event overview

#### Enquiry index

According to the Notice on the Issue of the Work Plan for “Double Hundred Program” of Reform of State-owned Enterprises (Guo Zi Fa Yan Jiu [2018] No. 70) issued by SASAC, the Leading Group of Reform of State-owned Enterprises of the State Council have selected more than one hundred subsidiaries of central enterprises and more than one hundred local major state-owned enterprises (hereinafter referred to as “Double Hundred Enterprises”) for implementing “Double Hundred Program” of Reform of State-owned Enterprises in 2018 – 2020. CISDI Group Co., Ltd (hereinafter referred to as “CISDI”), a wholly-owned subsidiary of the Company, has been included in this list of “Double Hundred Enterprises”.

The Company will, as required by the overall arrangement and guidance of the SASAC, thoroughly study and understand “1+N” documents on reform of state-owned enterprises and the Work Plan for “Double Hundred Program” of Reform of State-owned Enterprises, and will consider and develop equity incentive plan and employee stock ownership plan as stipulated by relevant documents based on the actual conditions of the Company. As the plan is being developed, specific plan contents and schedule are to be determined. Relevant plan is to be implemented after it has been submitted to and approved by the SASAC. The Company will perform the obligation of information disclosure in a timely fashion according to work progress.

For details, please refer to the “Announcement of MCC on the Inclusion of A Subsidiary into “Double Hundred Enterprises” of Reform of State-owned Enterprises” disclosed by the Company on 14 August 2018.

# SIGNIFICANT EVENTS

## (II) Incentives not disclosed in interim announcements or with subsequent progress

Applicable  Not applicable

## XIV. MATERIAL CONNECTED TRANSACTIONS

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

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

Applicable  Not applicable

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

(1) **Potential Continuing Connected Transactions under the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement**

On 8 December 2015, as notified by CMGC, the controlling shareholder of the Company, upon approval of the SASAC, CMGC and China Minmetals proceeded with a strategic restructuring, whereby MCC Group would be merged into China Minmetals. As of the disclosure date of this report, registration of relevant change of particulars with the industrial and commercial authority has not been completed. Pursuant to the Implementation Guidelines for Related Transactions of Listed Companies of the Shanghai Stock Exchange, China Minmetals and its subsidiaries other than MCC (the "China Minmetals Group") constitute related parties under the A Shares Listing Rules. Transactions between the Company and China Minmetals Group do not constitute connected transactions under the H Shares Listing Rules; however the Company has taken such continuing transactions as continuing connected transactions under the H Shares Listing Rules during the Reporting Period.

The 30th meeting of the second session of the Board was convened on 28 April 2017, at which 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 was considered and adopted, approving the daily connected transactions/continuing connected transactions, including purchase and sale of materials, engineering construction, property financing services, production, repairs and maintenance, metallurgical and management services as well as property leasing, to be conducted between the Company and its subsidiaries and China Minmetals Group from 2017 to 2019. In this regard, the Company and China Minmetals entered into the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement (hereinafter referred to as the "Mutual Supply Agreement") on 31 May 2017. The annual general meeting for the year 2016 of the Company was convened on 26 June 2017, at which the Mutual Supply Agreement entered into between the Company and China Minmetals, as well as the annual caps for the daily connected transactions/continuing connected transactions in relation to purchase and sale of materials, engineering construction, factoring services and finance leasing services for the year 2017 to 2019 under such agreement were considered and approved (For details, please refer to the relevant announcement disclosed by the Company on 28 April 2017, the circular dispatched to Shareholders on 8 June 2017, and the announcement on poll results of the 2016 annual general meeting disclosed on 26 June 2017.)

The 45th meeting of the second session of the Board was convened on 29 October 2018, at which the Resolution in relation to the Adjustment of Annual Caps for the Daily Connected Transactions/Continuing Connected Transactions for 2018 to 2019 was considered and adopted, approving the adjustment of the annual caps in relation to four types of transaction, namely engineering construction (expense), production, repairs and maintenance (income), metallurgical and management services (income) and property leasing services (expense), under the Mutual Supply Agreement (For details, please refer to the relevant announcements disclosed by the Company on 29 October 2018 and 15 November 2018).



# SIGNIFICANT EVENTS

## (2) Continuing Connected Transactions under the Financial Service Agreement and the Finance Lease Service Agreement

The 40th meeting of the second session of the Board was convened on 29 June 2018, at which the Resolution on Daily Connected Transactions of Finance Business for 2018 to 2019 and the Entering into Connected Transactions Agreement by Subsidiaries of MCC and MCC Amperex was considered and adopted, approving the Company to conduct daily connected transactions/continuing connected transactions with MCC Ruimu Amperex Technology Limited\* (hereinafter "MCC Amperex") from 2018 to 2019. In this regard, on 29 June 2018, MCC Finance Corporation Ltd.\* (hereinafter "MCC Finance"), a non-wholly owned subsidiary of the Company, entered into the Financial Service Agreement with MCC Amperex, pursuant to which, during the period up to 31 December 2019, MCC Finance agreed to provide loans and bill discounting services to MCC Amperex. On the same date, MCC Financial Leasing Co., Ltd.\* (hereinafter "MCC Financial Leasing"), a wholly-owned subsidiary of the Company, entered into the Finance Lease Service Agreement with MCC Amperex, pursuant to which, during the period up to 31 December 2019, MCC Financial Leasing agreed to provide finance lease services to MCC Amperex (For details, please refer to relevant announcement disclosed by the Company on 29 June 2018).

### 3. Events not disclosed in interim announcements

The annual caps for 2018 and 2019 (after adjustment) and the actual incurred amount during the Reporting Period for each of the above type of transaction are as follows:

Unit: RMB'000

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Annual caps for 2018	Annual caps for 2019	Price of connected transaction	Amount of connected transaction during the Reporting Period	Percentage to similar transactions (%)	Payment method for connected transaction	Market Price	Reason for the significant difference between transaction price and reference market price
<b>Potential Continuing Connected Transactions under the Mutual Supply Agreement</b>												
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase and sales of materials – expense	Agreed price	18,440,000	23,470,000	-	6,141,187	7.5829	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Sales of commodities	Purchase and sales of materials – income	Agreed price	5,700,000	6,910,000	-	366,586	3.0743	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Engineering construction – income	Agreed price	21,470,000	24,170,000	-	3,866,244	1.6518	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour services	Engineering construction – expense	Agreed price	1,240,000	1,320,000	-	557,958	0.4885	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Production maintenance and repair – income	Agreed price	79,000	146,000	-	21,220	0.4121	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Metallurgical and management service – income	Agreed price	381,000	533,000	-	19,227	0.1439	-	-	-

# SIGNIFICANT EVENTS

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Annual caps for 2018	Annual caps for 2019	Price of connected transaction	Amount of connected transaction during the Reporting Period	Percentage to similar transactions (%)	Payment method for connected transaction	Market Price	Reason for the significant difference between transaction price and reference market price
<b>Potential Continuing Connected Transactions under the Mutual Supply Agreement</b>												
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour services	Metallurgical and management service – expense	Agreed price	45,000	75,000	-	20,487	2.4277	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services – financing costs – finance leasing	Agreed price	300,000	330,000	-	5,699	25.2738	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services – financing costs – credit services	Agreed price	1,200,000	1,140,000	-	18,252	0.5656	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	Property leasing – expenses	Lease contracts	80,000	82,000	-	46,581	4.3564	-	-	-
<b>Continuing Connected Transactions under the Financial Service Agreement and the Finance Lease Service Agreement</b>												
MCC Ruimu Amperex Technology Limited	Under common control by CMGC	Fund lending to related parities	Loan and bill discounting services	Lease contracts	800,000	800,000	-	400,000	0.0013	-	-	-
MCC Ruimu Amperex Technology Limited	Under common control by CMGC	Fund lending to related parities	Finance leasing services	Lease contracts	500,000	500,000	-	300,000	0.0010	-	-	-
MCC Ruimu Amperex Technology Limited	Under common control by CMGC	Interest income	Interest income	Lease contracts	88,000	88,000	-	12,055	0.9516	-	-	-
Total				/			/	11,775,496		/	/	/

Details of return of sold goods in large quantities

Not Applicable

Description of connected transaction

Not Applicable

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

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

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

# SIGNIFICANT EVENTS

The Company's auditors were engaged to report on the aforementioned continuing connected transactions of the Company in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their conclusions in respect of the aforementioned continuing connected transactions in accordance with Rule 14A.56 of the Hong Kong Listing Rules, stating that, during the Reporting Period:

- (1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's Board;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company;
- (3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) nothing has come to the auditor's attention that causes the auditor to believe that the amount of such continuing connected transactions have exceeded the total annual caps set by the Company.

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

Applicable  Not applicable

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

Applicable  Not Applicable

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

Applicable  Not applicable

**(V) Others:**

The Company convened the 45th meeting of the second session of the Board on 29 October 2018, at which the Resolution on the Non-daily Connected Transactions on Commencement of Asset Securitization Business of Property Charges Between MCC Real Estate and China Minmetals was considered and approved, agreeing to the commencement of asset securitization business of property charges between MCC Real Estate, a wholly-owned subsidiary of the Company, and Minmetals Securities Co., Ltd., a related party (For details, please refer to the relevant announcements disclosed by the Company on 29 October 2018 and 27 February 2019).

## XV. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

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

Applicable  Not Applicable

# SIGNIFICANT EVENTS

## (II) Guarantees

Unit: RMB

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

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

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

Total amount of guarantees provided to its subsidiaries during the Reporting Period	2,058,111,379.74
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)	17,994,262,476.96

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

Total amount of guarantees (A+B)	17,994,262,476.96
Total amount of guarantees as a percentage of the Company's net assets (%)	21.44
Including:	
Amount of guarantees provided to Shareholders, the de facto controller and their related parties (C)	0
Debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	16,676,342,694.46
Excess of total amount of guarantees over 50% of the net assets (E)	0
Total amount of guarantees of the above 3 items (C+D+E)	16,676,342,694.46
Explanation on the potential joint liquidity liability arising from the outstanding guarantees	Nil
Explanation on the guarantees	Nil

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

### 1. Entrusted financial management

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

### 2. Entrusted loans

#### (1) Overall entrusted loans

Unit: RMB'0,000

Type	Source of funding	Amount	Outstanding balance	Amount overdue but uncollected
One-to-one entrusted loans	Self-owned fund	-690,000	70,000	0



# SIGNIFICANT EVENTS

## (2) Individual entrusted loans

Unit: RMB'0,000

Trustee	Type of entrusted loan	Amount of entrusted loan	Commencement date of entrusted loan	Termination date of entrusted loan	Source of funding	Investment direction of funding	Form of determining return	Annualized rate of return	Expected income (if any)	Actual income or loss	Actual recoverability	Whether comply with statutory procedures	Whether there is a plan for entrusted loan in the future	Provisions for impairment (if any)
Bank of Shanghai Co., Ltd. Puxi Sub-branch <sup>100a</sup>	One-to-one entrusted loan	70,000	13 October 2017	14 October 2019	Self-owned fund	Project development and construction	Contractually agreed	5.7%	7,980	4,810.17	0	Yes	No	-

Note: Interest of such entrusted loan is collected quarterly, and the principal will be collected upon maturity.

## (IV) Other material contracts

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

## XVI. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITIES

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

#### 1. Targeted poverty alleviation programs

According to the arrangement of 2018 poverty alleviation programs of the higher-level department, targeted poverty alleviation work of the Company in 2018 is as follows:

##### (1) Implementing Direct Subsidized Projects for Targeted Poverty Alleviation

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

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

The total contribution to the above direct subsidized projects of targeted poverty alleviation for the year of 2018 is not less than RMB3.5 million.

# SIGNIFICANT EVENTS

## (2) Paying Visits for Research and Studies

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

## (3) Commencing Love Package Donation Activities

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

## (4) Efficiently Carrying Out the Selection of a New Batch of Temporary Cadres

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

## (5) Completing Other Works Planned by Higher Authorities

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

## 2. Overview of Targeted Poverty Alleviation during the Reporting Period

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

In October 2018, at the approach of the Fifth National Day for Poverty Alleviation as well as the 26th International Day for Eradication of Poverty, the group led by Guo Wenqing, Chairman of the Company, carried out research and studies, guidance and supervision of poverty alleviation work in Yanhe County and Dejiang County of Guizhou Province, and also visited and greeted the temporary cadres in the two counties. Guo Wenqing proposed higher standards and requirements for future poverty alleviation work in research and studies. Zhang Mengxing, President of MCC, also participated in the research and studies.

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

### (2) Proposed Progression of Poverty Alleviation by the Party Committee

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

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

# SIGNIFICANT EVENTS

## (3) Full Implementation of Poverty Alleviation Projects

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

Three temporary cadres, Chen Yu, Xu Yi and Yang Cong, were charged with the duty of supervising project implementation.

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

In 2018, a total of 13 second-tier enterprises of MCC participated in field work for poverty alleviation work, dispatched 3 temporary cadres and 14 (poverty alleviation) field work teams to villages (34 persons in total), made a direct contribution of RMB2.1095 million and material worth RMB577,000, implemented 34 poverty alleviation projects and helped 941 beneficiaries in recorded poor population. In addition, these enterprises trained a total of 248 grass-root cadres and 113 leaders in making a fortune through entrepreneurship, purchased agricultural products of RMB643,400 in targeted counties for poverty alleviation, mobilized 446 cadres and workers to participate in poverty alleviation work and mobilized cadres and workers to make a donation of RMB31,400.

## (5) Initiation of voluntary campaign with the theme of “Small Package • Big Love” for MCC youths

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

### 3. Achievements of targeted poverty alleviation

Unit: RMB'0,000

Indicator	Amount and details
I. Overall situation	
Including: 1. Funds	565.95
2. Worth of materials	57.7
3. Number of beneficiaries in recorded poor population ( <i>person</i> )	941
II. Contribution to segments	
1. Poverty alleviation by industrial development	
Including: 1.1 Type of industrial poverty alleviation project	<input checked="" type="checkbox"/> Agriculture and forestry <input type="checkbox"/> Tourism <input type="checkbox"/> E-commerce <input checked="" type="checkbox"/> Assets income <input checked="" type="checkbox"/> Science and technology <input checked="" type="checkbox"/> Others
1.2 Number of industrial poverty alleviation projects ( <i>unit</i> )	38
1.3 Contribution to industrial poverty alleviation projects	485.8
1.4 Number of beneficiaries in recorded poor population ( <i>person</i> )	941

# SIGNIFICANT EVENTS

Indicator	Amount and details
2. Poverty alleviation by transfer of employment	
Including: 2.1 Number of persons in vocational skill training ( <i>person/time</i> )	191
2.2 Number of beneficiaries in recorded poor population obtaining assistance for employment from the Company ( <i>person</i> )	12
3. Poverty alleviation by education	
Including: 3.1 Contribution to subsidize students in poverty	19.6
3.2 Number of students in poverty being subsidized ( <i>person</i> )	945
4. Poverty alleviation by healthcare	
Including: 4.1 Contribution to medical and healthcare resources in poverty-stricken areas	17
5. Other projects	
Including: 5.1 Number of projects ( <i>unit</i> )	4
5.2 Amount of contribution	43.55

## 4. *Subsequent targeted poverty alleviation programs*

Pursuant to the requirement of targeted poverty alleviation work from the higher-level department, the direct investment in each targeted poverty alleviation county is contributed by the higher-level department. In 2019, the Company will not invest poverty alleviation funds in the targeted poverty alleviation counties but will continue to appoint poverty alleviation cadres taking temporary posts, purchase specialized agricultural products in targeted poverty alleviation counties, and support the subsidiaries to actively undertake responsibility of poverty alleviation in their region.

## (II) Social Responsibilities

For details, please refer to the 2018 Social Responsibility Report disclosed by the Company separately.

## (III) Information on Environmental Protection of the Company

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

In accordance with the Name List of Enterprises under Special Supervision and Enterprises with Significant Waste Disposal for 2018 published by the Ministry of Environmental Protection and provincial and municipal departments of environmental protection, among all subsidiaries of the Company, Xiangyang Enfi Environmental Protection Energy Co., Ltd., a subsidiary of China Non-ferrous Engineering Co., Ltd. (hereinafter referred to as "China Non-ferrous"), CISDI Equipment Co., Ltd., a subsidiary of CISDI and China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司), a subsidiary of WISDRI Engineering & Research Incorporation Limited, were included in the list of enterprises under special supervision of exhaust gas, China Silicon Corporation Ltd. (洛陽中硅高科技有限公司), a subsidiary of China Non-ferrous was included in the list of enterprises under special supervision of wastewater treatment plants, and 26 sewage treatment plants controlled by MCC Huatian, China Non-ferrous and WISDRI were included in the list of enterprises under special supervision of sewage treatment. During the Reporting Period, each environmental protection facility of all units under the Name List of Enterprises with Significant Waste Disposal operated normally, and the emission of key pollutants reached the emission standard without excessive emission, achieving the objective of total emission reduction.



# SIGNIFICANT EVENTS

## (1) Information about pollution discharge

### ① 26 enterprises under special supervision of sewage treatment

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note</sup> (mg/L)	Actual emission (mg/L)	Discharge flow
1	Chuzhou Huatian Water Corporation MCC (滁州市中冶華天水務有限公司)	Vent from Chuzhou Huatian Water Corporation MCC WS-01904	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	20 1.3	Qingliu River (清流河)
2	Lai'an Huatian Water Corporation MCC (來安縣中冶華天水務有限公司)	Vent from Lai'an Huatian Water Corporation MCC Wastewater	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	37.58 0.53	Lai River (來河)
3	MCC Qinhuangdao Water Co., Ltd. (中冶秦皇島水務有限公司)	Vent from Shanhaiguan Water Treatment Plant (山海關污水廠)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	20.3 0.47	Chao River (潮河)
4	Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司)	Vent outside Shouguang North Water Corporation MCC	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A <sup>note</sup>	40 2	28.5 0.49	Zhangseng River (張僂河)
5	Tianchang Huatian Water Corporation MCC (Tianchang Wastewater Treatment Plant) (天長市中冶華天水務有限公司(天長市污水處理廠))	Vent number WS-009	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	25.6 1.32	Chuangqiao River (川橋河)
6	Qinlan Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(秦欄鎮污水處理廠))	Mixed inflow of sewage emission in Qinlan Town and Jiangwei County of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	32.1 1.2	Qinlan River (秦欄河)
7	Yangcun Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(楊村鎮污水處理廠))	Mixed inflow of sewage emission in Yangcun Wastewater Treatment Plant of Tianchang City	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	23.4 1.7	Yangcun River (楊村河)
8	Wastewater Treatment Plant of Economic Development Zone of Tianchang Huatian Water Corporation MCC (天長市經濟開發區污水處理廠)	Vent number WS-04303	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	29.7 0.7	New Chuangqiao River (新川橋河)
9	Tongcheng Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(銅城鎮污水處理廠))	Vent number WS- 04305	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	22.1 0.3	Tonglong River (銅龍河)
10	MCC Xinglong Water Co., Ltd. (興隆縣中冶水務有限公司)	Vent of disinfecting tank WS-001	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	15.55 1.58	Liu River (柳河)
11	MCC Dingyuan Water Co., Ltd. (定遠縣中冶水務有限公司)	Wastewater discharge vent WS-50004	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	24.48 1.32	Maqiao River (馬橋河)
12	Lu'an Water Corporation MCC (六安市中冶水務有限公司)	Main vent WS00075	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	13.53 0.41	Su Da Yan (蘇大堰)
13	Cha He Water Treatment Plant of Laian Huatian Water Corporation MCC (來安縣中冶華天水務有限公司(汊河污水處理廠))	Vent from Cha He Water Treatment Plant (汊河污水處理廠) WS-06902	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	22.6 1.6	Chu River (滁河)
14	Ma'anshan Water Corporation (馬鞍山中冶水務有限公司)	Ma'anshan Water Corporation (馬鞍山市中冶華天水務有限公司) WS-090801	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	21.9 1.02	Xiangcheng River (襄城河)

# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard <sup>note</sup> (mg/L)	Actual emission (mg/L)	Discharge flow
15	Huangshi Water Corporation MCC (黄石中冶水务有限公司)	Vent from Huangshi Tuanchengshan Wastewater Treatment Plant (黄石团城山污水处理廠排出口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	12.58	Ci-hu Lake (磁湖)
			Ammoniacal nitrogen		5(8)	0.7	
16	Shouguang MCC Huatian Water Co., Ltd. (壽光市中冶華天水务有限公司)	Vent from Shouguang MCC Huatian Water Co., Ltd. WS-37078309	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A <sup>note</sup>	40	37.3	Xiaqing River (小清河)
			Ammoniacal nitrogen		2	0.96	
17	Qinhuangdao Funing District MCC Water Co., Ltd. (秦皇島市撫寧區中冶水务有限公司)	Vent from Funing Wastewater Treatment Plant (撫寧污水廠出口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	24.46	Discharged into artificial river
Ammoniacal nitrogen		5(8)	0.5				
18	Vent from Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水务有限公司)	Vent from Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水务有限公司) WS-26616 (Phase I)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	60	43.2	Min River (閩江)
			Ammoniacal nitrogen		8(15)	0.21	
	MCC Xuancheng Water Co., Ltd. (宣城市中冶水务有限公司) <sup>note</sup>	MCC Xuancheng Water Co., Ltd.	COD		60	43.2	Shuiyang River (水陽江)
			Ammoniacal nitrogen		8(15)	0.22	
19	Beijing Zhongshe Water Treatment Co., Ltd. (北京中設水處理有限公司)	Main vent (Phase I)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of current wastewater plant) DB11/890-2012	50	22.80	Ciwei River (刺渭河)
			Ammoniacal nitrogen		5(8)	1.06	
		Main vent (Phase II)	Total Phosphorus		0.5	0.36	
			COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of new wastewater plant) DB11/890-2012	20	14.60	
			Ammoniacal nitrogen		1.0(1.5)	0.42	
			Total Phosphorus		0.2	0.17	
21	Lanzhou Zhongtuo Water Corporation (蘭州中投水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	60	22.91	Yellow River
			Ammoniacal nitrogen		8(15)	0.93	
22	Xiaogan Zhongshe Water Co., Ltd. (孝感中設水務有限公司)	Main vent	Total Phosphorus		1	0.34	
			COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	60	22.60	
			Ammoniacal nitrogen		8(15)	2.42	Gunzi River (滾子河)
			Total Phosphorus		1	0.52	
23	Wenxian Zhongtuo Water Co., Ltd. (溫縣中投水務有限公司)	Main vent of the First Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	27.67	Laomang River (老蟒河)
			Ammoniacal nitrogen		5(8)	1.53	
			Total Phosphorus		0.5	0.19	
			COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	25.01	
			Ammoniacal nitrogen		5(8)	1.52	
			Total Phosphorus		0.5	0.12	
24	Changzhou Enfi Water Co., Ltd. (常州恩菲水務有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Municipal Wastewater Treatment Plant & Key Industries of Taihu Area DB32/1072-2007	60	53.38	Cailling Port (採菱港)
			Ammoniacal nitrogen		5	0.40	
			Total Phosphorus		0.5	0.16	
			COD	Discharge Standard of Main Water Pollutants for Pulp and Paper Industry of Zhejiang Province DHJB1-2001	60	50.99	
25	Zhejiang Chunnan Sewage Treatment Co., Ltd. (浙江春南污水處理有限公司)	Main vent	Ammoniacal nitrogen		5	0.64	Yang Pu Ou (洋浦渠)
			Total Phosphorus		0.5	0.10	
26	Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澗污水處理廠)	PH	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	6-9	7.66	Yangtze River (長江)
			COD		≤50	27.22	
			Ammoniacal nitrogen		≤5(8)	2.40	
			Total Phosphorus		≤0.5	0.23	

# SIGNIFICANT EVENTS

*Note:* The values outside the brackets of the standard GB18918-2002 represent control objectives when water temperature is higher than 12 degrees Celsius. The value inside the brackets of the standard GB18918-2002 is control objectives whose water temperature is equal to or below 12 degrees Celsius. Pursuant to Shou Huan Wei Fa [2018] No.4 Document issued by Shouguang City Environmental Protection Committee, the required water output indicators of COD and ammoniacal nitrogen for Shouguang North Water Corporation MCC and Shouguang MCC Huatian Water Co., Ltd. were 40mg/L and 2mg/L, respectively. Xuancheng Water Treatment Plant of MCC Xuancheng Water Co., Ltd. is currently not in operation. No wastewater discharge statistic can be recorded.

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

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission <sup>Note</sup>	Discharge flow
1	Luoyang Silicon High Technology Company Limited	Main vent of waste water	pH	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	6-9	8.30	Sewage treatment plant of New District, Luoyang
			SS	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	400mg/L	71.36	
			COD	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	500mg/L	31.60	
			Ammoniacal nitrogen	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	/	0.39	
			Cl-	Discharge Standard of Chlorides for Salt and Alkali Industry DB41/276-2011	350mg/L	251.92	
			F-	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	20mg/L	0.40	
		Chimney of Exhaust Washing Tower	HCl	Integrated Emission Standards of Air Pollutants GB16297-1996 (Level Two)	100mg/m <sup>3</sup> 0.915kg/h	16.58 0.04	Atmosphere
		Chimney of Acid Fume Purification Tower	HF	Integrated Emission Standards of Air Pollutants GB16297-1996 (Level Two)	9mg/m <sup>3</sup> 0.38kg/h	3.26 0.05	
			NOx	Integrated Emission Standards of Air Pollutants GB16297-1996 (Level Two)	240mg/m <sup>3</sup> 2.85kg/h	42.40 0.70	

*Note:* The unit of actual emission is the same as that of executive standard.

# SIGNIFICANT EVENTS

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

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission <sup>(1)</sup>	Discharge flow		
1	Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩非環保能源有限公司)	Xiangyang Enfi Household Waste Incineration Power Plant (Wastewater vent)	COD	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	500mg/L	30.14	Wastewater Treatment Plant of Yujiahu		
			PH		6~9	7.43			
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #1	SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/m <sup>3</sup>	38.00	Atmosphere		
			NO <sub>x</sub>		300mg/m <sup>3</sup>	128.00			
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #2	Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/m <sup>3</sup>	0.85			
			SO <sub>2</sub>		100mg/m <sup>3</sup>	33.00			
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #3	NO <sub>x</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/m <sup>3</sup>	103.00			
			Smoke and dust		30mg/m <sup>3</sup>	1.10			
					SO <sub>2</sub>	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/m <sup>3</sup>	29.00	
					NO <sub>x</sub>		300mg/m <sup>3</sup>	114.00	
			Smoke and dust		30mg/m <sup>3</sup>	0.90			
2	CISDI Equipment Co., Ltd. (中冶賽迪裝備有限公司)	Vent #1 of spray booth (Phase I)	Benzene	Integrated Emission Standards of Air Pollutants(DB50/418-2016)	6mg/m <sup>3</sup>	No detect	Atmosphere		
			Toluene		0.5kg/h	No detect			
			Xylene		40mg/m <sup>3</sup>	No detect			
		Vent #2 of spray booth (Phase I)		Integrated Emission Standards of Air Pollutants(DB50/418-2016)	3.1kg/h	No detect			
					70mg/m <sup>3</sup>	0.544			
					1.0kg/h	0.024			
		Vent #3 of spray booth (Phase I)	Benzene	Integrated Emission Standards of Air Pollutants(DB50/418-2016)	6mg/m <sup>3</sup>	No detect			
			Toluene		0.5kg/h	No detect			
			Xylene		40mg/m <sup>3</sup>	No detect			
		Vent #4 of spray booth (Phase I)		Integrated Emission Standards of Air Pollutants(DB50/418-2016)	3.1kg/h	No detect			
					70mg/m <sup>3</sup>	1.29			
					1.0kg/h	0.045			
		Vent #5 of spray booth (Phase II)	Benzene	Integrated Emission Standards of Air Pollutants(DB50/418-2016)	6mg/m <sup>3</sup>	No detect			
			Toluene		0.5kg/h	No detect			
			Xylene		40mg/m <sup>3</sup>	No detect			
			3.1kg/h	No detect					
				70mg/m <sup>3</sup>		1.31			
				1.0kg/h		0.061			
			Benzene	Integrated Emission Standards of Air Pollutants(DB50/418-2016)	6mg/m <sup>3</sup>	No detect			
					0.5kg/h	No detect			
					40mg/m <sup>3</sup>	No detect			
			3.1kg/h	No detect					
				70mg/m <sup>3</sup>		1.9			
				1.0kg/h		0.013			



# SIGNIFICANT EVENTS

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission <sup>Note</sup>	Discharge flow	
3	China City Environment Protection Engineering Limited Company	Vent #6 of spray booth (Phase II)	Benzene	Integrated Emission Standards of Air Pollutants(DB50/418-2016)	6mg/m <sup>3</sup>	No detect	Atmosphere	
			Toluene		0.5kg/h	No detect		
					40mg/m <sup>3</sup>	No detect		
					3.1kg/h	No detect		
			Xylene		70mg/m <sup>3</sup>	0.028		
					1.0kg/h	0.017		
		Vent #7 of spray booth (Phase II)	Benzene	Integrated Emission Standards of Air Pollutants(DB50/418-2016)	6mg/m <sup>3</sup>	No detect		
			Toluene		0.5kg/h	No detect		
					40mg/m <sup>3</sup>	No detect		
		Vent #9 of shoot blasting room (Phase II)		Integrated Emission Standards of Air Pollutants(DB50/418-2016)		3.1kg/h		No detect
			Particulates emission		70mg/m <sup>3</sup>	0.089		
					1.0kg/h	0.038		
Vent #10 of annealing furnace (Phase II)		Emission Standard of Air Pollutants from Industrial Furnaces(DB50/659-2016)		100mg/m <sup>3</sup>	37			
	Particulates emission		50mg/m <sup>3</sup>	38.06				
	SO <sub>2</sub> emission		400mg/m <sup>3</sup>	19.96				
	NO <sub>x</sub> emission		700mg/m <sup>3</sup>	74				
China City Environment Protection Engineering Limited Company	China City 1# gas exhaust gas	Smoke and dust	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant(GB13223-2011)	30mg/m <sup>3</sup>	15.8			
				SO <sub>2</sub>	100mg/m <sup>3</sup>	10.9		
				NO <sub>x</sub>	100mg/m <sup>3</sup>	67.5		

Note: The unit of actual emission is the same as that of executive standard.

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

- ① The wastewater treatment facility of Luoyang Silicon High Technology Company Limited (洛陽中硅高科技有限公司) is equipped with a three-wastes treatment station, an integrated system for domestic sewage; the exhaust gas treatment facility is equipped with exhaust washing tower, acid fume purification tower and dust collecting bag.
- ② Xiangyang Enfi Environmental Protection Energy Co., Ltd. adopts foreign advanced and mature moving grate waste incinerator technology, flue gas treatment featuring domestic mature furnace SNCR denitrification + semi-dry deacidification + auxiliary drying method + active carbon absorption + dust collecting bag.
- ③ The environmental protection measures adopted by spray booth (Phase I) of CISDI Equipment Co., Ltd. (中冶賽迪裝備有限公司) include 4 sets of ventilation system + filter cotton + active carbon absorption cotton and 15m high exhaust funnel; the environmental protection measures adopted by spray booth (Phase II) include 3 sets of ventilation system + filter cotton + active absorption cotton and 15m high exhaust funnel, while shot blasting (Phase II) adopts filtering dust collector + one 15m high exhaust pipe device.
- ④ China City Environment Protection Engineering Limited Company (都市環保新能源開發大豐有限公司) adopts grade two flue gas treatment featuring domestic mature furnace SNCR denitrification + calcium desulfurization + cyclone dust remover + dust collecting bag.

In 2018, pollution prevention and control facilities of the above enterprises were in normal and stable operation with perfect production operation management, guaranteeing the meeting of applicable emission standards.

# SIGNIFICANT EVENTS

All sewage treatment companies attached high importance to energy conservation and environmental protection so that operation of pollution prevention facilities were normal. By continuously strengthening the management and control of sewage treatment facilities, operation and other aspects, the standards of stable water discharge quality were guaranteed. Some companies reinforced their technology innovation and continued to develop new techniques and products. For example, China ENFI's "high quality reclaimed water treatment technology-urban sewage biochemical-physicochemical multi-section coupling" (城鎮污水生化-物化多級耦合的高品質再生水處理技術), has been successfully operated in Phase II Engineering Project of Wastewater Treatment Plant in Liangxiang, Fangshan District, Beijing (北京市房山區良鄉污水處理廠污水二期工程) for nearly 3 years, with stable water output, which has made outstanding contribution to the capital's environmental protection. Upon the application of such technology, the concentrations of CODCr, BOD5, SS, TN, NH3-N and TP in relation to water output were reduced by 60.0%, 60.0%, 50.0%, 33.3%, 80.0% and 60.0%, respectively when compared with those adopting national emission standard of Level I Standard A. Taking Phase II Wastewater Engineering Project in Liangxiang, Beijing (北京市良鄉污水二期工程) as an example, the reduction of CODCr was 4,088 tons/year; the reduction of BOD5 was 2,278 tons/year; the reduction of SS was 2,555 tons/year; the reduction of TN was 730 tons/year while the reduction of TP was 77 tons/year. In addition, such technology has good economic benefits, and the water treatment cost per ton has been reduced by more than 15% as compared with the conventional high-quality water treatment process.

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

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

### (4) Contingency plans for environmental emergencies

The contingency plan for environmental emergencies set out by Luoyang Silicon High Technology Company Limited (洛陽中矽高科技有限公司) was filed with Luoyang Environmental Protection Bureau, Luoyang Urban and Rural Integration Commission and Bureau of Land and Resources of Luoyang on 9 January 2017, with reference number of 410311-2017-H-1.

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

The contingency plan for environmental emergencies set out by CISDI Equipment Co., Ltd. (中冶賽迪裝備有限公司) was filed with Chongqing Environmental Protection Bureau Jiangjin District Branch Office on 23 July 2018, with reference number of 5001162018070003.

The contingency plan for environmental emergencies set out by China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司) was filed with Yancheng Environmental Protection Bureau Dafeng District Branch Office on 13 November 2018, with reference number of 320982-2018-057-L.

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

# SIGNIFICANT EVENTS

(5) Environmental self-monitoring plans

Luoyang Silicon High Technology Company Limited, Xiangyang ENFI Environmental Protection Energy Co., Ltd, CISDI Equipment Co., Ltd. (中冶賽迪裝備有限公司), China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司) and 26 sewage treatment companies have worked out environmental self-monitoring plans. All sewage treatment plants have installed online COD and ammoniacal nitrogen monitoring facilities at their intakes and vents, respectively, ensuring that monitoring data is transmitted and monitored in real time by local environmental protection authorities via the Internet. At the same time, the local monitoring station regularly selects and tests samples from sewage treatment plants to ensure understanding and handling the sewage treatment situation of the plants.

(6) Other information about environmental protection that should be made public

All companies under the Name List of Enterprises with Significant Waste Disposal have timely submitted environment monitoring data to the Environmental Statistics Reporting System for Enterprises under Special Supervision (《國家重點監控企業的環境統計直報系統》) or published on relevant online platforms.

2. *Information on environmental protection of companies not under the Name List of Enterprises with Significant Waste Disposal*

Applicable  Not applicable

3. *Undisclosed information on environmental protection of companies not under the Name List of Enterprises with Significant Waste Disposal*

Applicable  Not applicable

4. *Disclosed information on subsequent progress or changes of environmental protection in the Reporting Period*

Applicable  Not applicable

## XVII. CONVERTIBLE CORPORATE BONDS

Applicable  Not applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## I. CHANGES IN THE ORDINARY SHARE CAPITAL

### (I) Table of changes in ordinary shares

#### 1. Table of changes in ordinary shares

Unit: share

	Before change		Issue of new shares	Bonus shares	Change (+/-) Capital reserve transferred to			After change	
	Number	Percentage (%)			shares	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	1,613,619,170	7.79	0	0	0	-1,613,619,170	-1,613,619,170	0	0
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares owned by state-owned legal person	24,762,154	0	0	0	0	-24,762,154	-24,762,154	0	0
3. Other domestically-owned shares	1,588,857,016	0	0	0	0	-1,588,857,016	-1,588,857,016	0	0
Including: shares held by domestic non-state-owned legal person	1,588,857,016	0	0	0	0	-1,588,857,016	-1,588,857,016	0	0
shares held by domestic natural person	0	0	0	0	0	0	0	0	0
4. Foreign shareholding	0	0	0	0	0	0	0	0	0
Including: shares held by overseas legal person	0	0	0	0	0	0	0	0	0
shares held by overseas natural person	0	0	0	0	0	0	0	0	0
II. Tradable shares not subject to selling restrictions	19,110,000,000	92.21	0	0	0	1,613,619,170	1,613,619,170	20,723,619,170	100
1. RMB-denominated ordinary shares	16,239,000,000	78.36	0	0	0	1,613,619,170	1,613,619,170	17,852,619,170	86.15
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas-listed foreign shares	2,871,000,000	13.85	0	0	0	0	0	2,871,000,000	13.85
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of ordinary shares	20,723,619,170	/	0	0	0	0	0	20,723,619,170	/

#### 2. Explanation on the changes in ordinary shares

The Company carried out the non-public issuance of RMB-denominated ordinary shares (A Shares) with a nominal value of RMB1 each to specific investors on 26 December 2016. The Company completed the procedures for the registration of trusteeship regarding the non-public issuance of A Shares on 6 January 2017, with the issuance number of 1,613,619,170 shares at the issue price of RMB3.86 per share, the total number of shares upon the completion of the registration amounted to 20,723,619,170 shares and the net proceeds raised amounted to RMB6,173 million. The shares subscribed by the issue targets under the non-public issuance of the Company shall not be transferred within 12 months from the date of the completion of the issuance, and were listed for trading on 8 January 2018 (As 6 January 2018 was a non-trading day, the listing date was postponed to the first trading day thereafter). The number of restricted shares listed for trading amounted to 1,613,619,170 shares.



# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

Unit: share

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

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

## II. ISSUANCE AND LISTING OF SECURITIES

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

During the Reporting Period, the Company did not issue any equity securities.

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

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

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

The Company utilized the proceeds raised in strict accordance with the disclosure of the prospectus. In order to enhance the efficiency of the use of proceeds raised from the non-public issuance of A Shares, in March 2017, at the 29th meeting of the second session of the Board and the 14th meeting of the second session of the Supervisory Committee of the Company, the Resolution on Investment Project Invested with Proceeds Raised by way of Private Placement (《關於定向增發募集資金投入募投項目的議案》) was successively considered and approved, and the substitution of self-raised funds previously invested in investment projects with the proceeds of RMB2,059 million from non-public issuance and the use of idle raised funds from non-public issuance to temporarily replenish liquidity for a term of not more than one year with total amount of not more than RMB785 million were agreed. On 27 March 2018, the Company returned such proceeds from non-public issuance of A Shares to the account designated for such proceeds (for details, please refer to the announcement published by the Company on 27 March 2018). During the Reporting Period, the accumulated amount of proceeds from the non-public issuance of A Shares used by the Company in this year was RMB739 million. Particulars are set out as below:

Unit: RMB'0,000

Project	Invested funds in 2017	Invested funds in 2018	Total invested funds
Zhuhai Shizimen Central Business District Commercial Complex Project (珠海市十字門中央商務區商務組團項目)	140,883	46,427	187,310
Luzhou Airport Road Construction Project (瀘州空港路建設項目)	34,115	16,137	50,252
Zhanjiang Iron and Steel Environmental Protection Project (湛江鋼鐵環保項目)	42,393	5,364	47,757
Wang Jia Xin Cheng Phase II (王家馨城二期項目)	55,111	2,154	57,265
Mantang Jiayuan Project (滿堂家園項目)	21,110	3,852	24,962
Replenishment of liquidity and repayment of bank loans	181,349	–	181,349
<b>Sub-total</b>	<b>474,961</b>	<b>73,934</b>	<b>548,895</b>

For specific utilization of proceeds from IPO of A Shares and proceeds from the non-public issuance of A Shares of the Company, please refer to the 2018 Special Report on Deposit and Actual Use of A Shares Proceeds separately disclosed by the Company.

The unutilized proceeds of the Company are deposited in a special bank account and will continue to be invested in relevant projects undertaken by the Company when opportunities arise.

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

Applicable  Not Applicable

## (III) Existing internal employee shares

During the Reporting Period, the Company had no internal employee shares.

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## III. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

### (I) Total number of Shareholders

Total number of ordinary Shareholders as at the end of the Reporting Period ( <i>Shareholder</i> )	413,663
Total number of ordinary Shareholders of the Company as at 28 February 2019 ( <i>Shareholder</i> )	424,342
Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period ( <i>Shareholder</i> )	0
Total number of shareholders of preferred shares whose voting rights have been restored at the end of last month prior to the date on which the annual report shall be disclosed ( <i>Shareholder</i> )	0

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

Unit: Share

Name of Shareholder (full name)	Shareholding of the top 10 Shareholders				Pledged or frozen		Nature of Shareholder
	Change during the reporting period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Status of Shares	Number	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	-621,708,400 <sup>(2)</sup>	11,643,400,100	56.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) <sup>(3)</sup>	-1,016,000	2,841,466,000	13.71	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	-291,902,306	620,195,642	2.99	0	Nil	0	State-owned legal person
China Merchants Bank Co., Ltd. - Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (招商銀行股份有限公司－博時中證央企結構調整交易型開放式指數證券投資基金)	239,768,105	239,768,105	1.16	0	Nil	0	Others
Agricultural Bank Of China Limited - Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中國農業銀行股份有限公司－華夏中證央企結構調整交易型開放式指數證券投資基金)	221,592,086	221,592,086	1.07	0	Nil	0	Others
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	0	181,345,336	0.88	0	Nil	0	Others
Tianan Life Insurance Co., Ltd. - Traditional Products (天安人壽保險股份有限公司－傳統產品)	161,404,042	161,404,042	0.78	0	Nil	0	Others
Huatai Asset Management Company Ltd. - Strategic Investment Products (華泰資產管理有限公司－策略投資產品)	-62,556,123	122,664,084	0.59	0	Nil	0	Others
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	99,190,917	112,713,160	0.54	0	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person

# 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)	11,643,400,100	RMB-denominated ordinary shares	11,643,400,100
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) <sup>(3)</sup>	2,841,466,000	Overseas-listed foreign shares	2,841,466,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	620,195,642	RMB-denominated ordinary shares	620,195,642
China Merchants Bank Co., Ltd. - Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (招商銀行股份有限公司－博時中證央企結構調整交易型開放式指數證券投資基金)	239,768,105	RMB-denominated ordinary shares	239,768,105
Agricultural Bank Of China Limited - Huaxia CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (中國農業銀行股份有限公司－華夏中證央企結構調整交易型開放式指數證券投資基金)	221,592,086	RMB-denominated ordinary shares	221,592,086
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	RMB-denominated ordinary shares	181,345,336
Tianan Life Insurance Co., Ltd. - Traditional Products (天安人壽保險股份有限公司－傳統產品)	161,404,042	RMB-denominated ordinary shares	161,404,042
Huatai Asset Management Company Ltd. - Strategic Investment Products (華泰資產管理有限公司－策略投資產品)	122,664,084	RMB-denominated ordinary shares	122,664,084
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	112,713,160	RMB-denominated ordinary shares	112,713,160
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

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

Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held Not Applicable

*Note (1):* Figures in the table were extracted from the Company's register of Shareholders as of 31 December 2018.

*Note (2):* CMGC subscribed for the State-owned Enterprises Structural Adjustment ETF with its own MCC shares. Proportion of ownership interest held by CMGC decreased from 59.18% to 56.18%.

*Note (3):* The H Shares held by HKSCC Nominees Limited are those held on behalf of their multiple equity owners.

### **The Number of Shares Held by Top 10 Shareholders Subject to Selling Restrictions and Information on the Selling Restrictions**

Applicable  Not applicable



# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

Applicable  Not applicable

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

### (I) Controlling Shareholder

#### 1. Legal person

Name	China Metallurgical Group Corporation
Person in charge or legal representative	Guo Wenqing
Date of incorporation	18 December 1982
Principal business operations	Scope of business operations: General contracting of various kinds of domestic and international engineering; various kinds of engineering and technology consulting services and leasing of engineering equipment; technology development, technical services, technical exchange and transfer of technology of new materials, new techniques, and new products related to engineering and construction; development, production and sales of equipment required for the metallurgical industry; property development and operation; bidding agent; undertaking various types of international industrial and civilian construction, engineering consulting, surveying, design and leasing of equipment; import and export business; sales of mechanical and electrical products, cars, building materials, instrument and apparatus, and hardware and electric materials; research, planning, survey, design, supervision and services for construction and installation projects of mechanical and electrical equipment and related technology; development and sale of raw materials and products of papermaking; resources development, processing and utilization of metallic mineral products and relevant services.
Equity interests in other domestic and overseas listed companies controlled and held by the Company during the Reporting Period	As at the end of the Reporting Period, CMGC had equity interests of 27% in MCC Huludao Nonferrous Metals Group Co., Ltd., which in turn had a shareholding of 23.59% in Huludao Zinc Industry Co., Ltd. (000751).

#### 2. Natural person

Applicable  Not applicable

#### 3. Special explanation on the Company not having any controlling shareholder

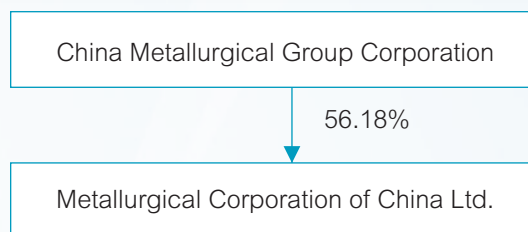
Applicable  Not applicable

#### 4. Index and date of changes in controlling shareholder during the Reporting Period

Applicable  Not applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## 5. Diagram of the equity and controlling relationship between the Company and the controlling shareholder



### (II) De Facto Controller

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

On 8 December 2015, the Company received a notice from CMGC that, pursuant to an overall arrangement made by the Central Committee of the Communist Party of China and the State Council on the comprehensively deepening reform and the general requirements of the reform of state-owned enterprises, the SASAC of the State Council approved the strategic restructuring between CMGC and China Minmetals, whereby the entire CMGC will be consolidated into China Minmetals. It remains unchanged that CMGC is the controlling shareholder of MCC and the SASAC of the State Council is the ultimate controller of MCC. The CSRC and the Securities and Futures Commission have exempted the obligation to make a mandatory general offer for shares of the Company due to the strategic restructuring of China Minmetals. As of the date of this report, the relevant changes of industrial and commercial registration have not been completed. Upon the completion of the change in industrial and commercial registration for the strategic restructuring between CMGC and China Minmetals, the relevant equity and controlling relationship would be changed to:



#### 1. Legal person

Applicable  Not applicable

#### 2. Natural person

Applicable  Not applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

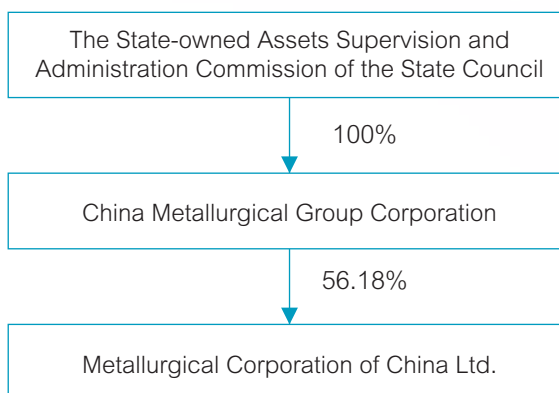
3. *Special explanation on the Company not having any de facto controller*

Applicable  Not applicable

4. *Index and date of changes in de facto controller during the Reporting Period*

Applicable  Not applicable

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



6. *Control of the Company by de facto controller by way of trust or other means of asset management*

Applicable  Not applicable

(III) **Other explanation regarding the controlling shareholder and the de facto controller**

Applicable  Not applicable

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

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

## VI. RESTRICTION ON REDUCTION IN SHAREHOLDING

Applicable  Not applicable

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## VII. DISCLOSURE OF INTERESTS

### (I) Directors', Supervisors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2018, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive of the Company or their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors or Supervisors pursuant to the Model Code or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
<b>Directors</b>							
Guo 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
<b>Supervisors</b>							
Peng Haiqing	Supervisor	A Shares	Long position	Beneficial owner	41,500	0	0
Shao Bo	Employee Representative Supervisor	A Shares	Long position	Beneficial owner	33,800	0	0
				Interests of spouse	1,000	0	0
<b>Chief executive (President)</b>							
Zhang Mengxing	President	A Shares	Long position	Beneficial owner	60,032	0	0

Save as disclosed above, as at 31 December 2018, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

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

As at 31 December 2018, as far as the Company is aware, interests of other senior management of the Company in the shares of the Company are as follows:

*Unit: share*

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

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

As at 31 December 2018, the Company was informed that the following persons had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

### Holders of A Shares

*Unit: share*

Name of substantial shareholder	Capacity	Number of A Shares	Nature of interest	Approximate	Approximate
				percentage of the total issued A Shares (%)	percentage of the total issued shares (%)
China Metallurgical Group Corporation	Beneficial owner	11,643,400,100	Long position	65.22	56.18

# CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

## Holders of H Shares

Unit: share

Name of substantial shareholder	Capacity	Number of H Shares	Nature of interest	Approximate percentage of the total issued H Shares (%)	Approximate percentage of the total issued shares (%)
BlackRock, Inc.	Interest of a controlled corporation <sup>Note</sup>	200,265,604	Long position	6.98	0.97

*Note:* BlackRock, Inc. owns 200,265,604 H Shares of the Company through various subsidiaries. Out of those 200,265,604 H Shares, 1,312,000 H Shares are non-listed derivative instruments settled in cash.

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 31 December 2018, in accordance with the register required to be kept under Section 336 of the SFO, no other person or corporation has an interest or short position in the Company's share capital that would require disclosure to the Company under Divisions 2 and 3 of Part XV of the SFO.

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

Saved as disclosed in the section headed "Corporate Bonds" on page 129 of this report, Neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

## IX. MINIMUM PUBLIC FLOAT

During the Reporting Period and as of the latest practicable date prior to the publication of this report (i.e. 29 March 2019), the Company has maintained sufficient public float, based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

## X. PRE-EMPTIVE RIGHTS AND SHARE OPTION ARRANGEMENTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company or the laws of the PRC, which would oblige the Company to issue new shares to its existing Shareholders in proportion to their current equity ratio. Subject to the Hong Kong Listing Rules and pursuant to the Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing bonus shares to the existing Shareholders, converting capital reserve to share capital or using other methods as required by applicable laws and administrative regulations or approved by relevant authorities.

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

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## I. PARTICULARS OF CHANGES IN SHAREHOLDING AND REMUNERATION

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

Unit: share

Name	Position	Gender	Age	Commencement date of term of office <sup>(1)</sup>	End date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for the changes	Total remuneration before tax obtained from Company during the Reporting Period (RMB'000)	Whether obtained remuneration from the connected parties of the Company
<b>Current</b>											
Guo Wenqing	Chairman and executive Director	Male	54	2019-03-12	Till the expiry date of the term of office of the third session of the Board	130,000	130,000	0	-	0	Yes
Zhang Zhaoxiang	Vice chairman and executive Director	Male	55	2019-03-12	Till the expiry date of the term of office of the third session of the Board	80,000	80,000	0	-	0	Yes
Zhou Jichang	Independent Non-executive Director	Male	68	2019-03-12	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	-	No
Yu Hailong	Independent Non-executive Director	Male	68	2019-03-12	2020-11-12	0	0	0	-	17.24	No
Ren Xudong	Independent Non-executive Director	Male	65	2019-03-12	2020-11-12	0	0	0	-	16.04	No
Chan Ka Keung Peter	Independent Non-executive Director	Male	67	2019-03-12	2020-11-12	0	0	0	-	16.64	No
Lin Jinzhen	Employee representative Director	Male	57	2019-03-12	Till the expiry date of the term of office of the third session of the Board	60,000	60,000	0	-	105.02	No
Cao Xiuyun	Chairman of Supervisor Committee	Male	57	2019-03-12	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	-	No
Zhang Yandi	Supervisor	Female	39	2019-03-12	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	-	No
Chu Zhiqi	Employee representative Supervisor	Male	48	2019-03-12	Till the expiry date of the term of office of the third session of the Board	0	0	0	-	-	No
Zhang Mengxing	President	Male	55	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	60,032	60,032	0	-	152.18	No
Wang Shilei	Vice President	Male	51	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	116.67	No
Zou Hongying	Vice President and Chief Accountant	Female	54	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	40,000	40,000	0	-	127.38	No
Qu Yang	Vice President	Male	48	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	70,000 <sup>(1)</sup>	70,000 <sup>(1)</sup>	0	-	125.43	No
Yan Aizhong <sup>(2)</sup>	Vice President	Male	51	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	-	No

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Position	Gender	Age	Commencement date of term of office <sup>(1)</sup>	End date of term of office	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Changes in shares during the year	Reason for the changes	Total remuneration before tax obtained from Company during the Reporting Period (RMB'000)	Whether obtained remuneration from the connected parties of the Company
Zeng Jianzhong	Vice President	Male	53	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	59.97	No
Zhang Ye	Vice President	Male	53	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	47.92	No
Liu Fuming	Vice President	Male	55	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	-	No
Zeng Gang	Secretary to the Board	Male	54	2019-03-12	Till the appointment of the next session of senior management by the next session of the Board	0	0	0	-	-	No
<b>Resigned</b>											
Jing Tianliang	Non-executive Director	Male	73	2014-11-13	2019-03-12	117,500	117,500	0	-	14.40	No
Yan Aizhong <sup>(2)</sup>	Supervisor	Male	51	2016-08-23	2019-03-12	0	0	0	-	86.12	No
Peng Haiqing <sup>(3)</sup>	Supervisor	Male	47	2014-11-13	2019-03-12	41,500	41,500	0	-	0	Yes
Shao Bo	Employee representative Supervisor	Male	55	2014-11-13	2019-03-12	34,800 <sup>(4)</sup>	34,800 <sup>(4)</sup>	0	-	24.67	Yes
Wang Yongguang	Vice President	Male	60	2014-11-13	2018-04-03	50,000 <sup>(5)</sup>	50,000 <sup>(5)</sup>	0	-	70.91	No
Li Yuzhuo	Secretary to the Board	Female	46	2016-10-26	2019-03-12	55,000	55,000	0	-	26.43	Yes
Total	/	/	/	/	/	738,832	738,832	0	/	1,007.02	/

Note: (1) The Shares of the Company held by Mr. Qu Yang are H Shares.

(2): On 3 April 2018, the Supervisory Committee of the Company received the written resignation tendered by Mr. Yan Aizhong, a Supervisor. Due to adjustment of work arrangements, Mr. Yan Aizhong resigned from his position as a Supervisor of the Company. Since the resignation of Mr. Yan Aizhong will result in the number of Supervisors on the Supervisory Committee of the Company falling below the quorum as required by law, Mr. Yan Aizhong, in accordance with the requirements of the Articles of Association and relevant laws and regulations, continued to perform his duty as a Supervisor until Supervisors of the new session of the Supervisory Committee were elected by the Company on 12 March 2019. On 3 April 2018, the Board of the Company approved the resolution in relation to the appointment of Mr. Yan Aizhong as the vice president of the Company with the term of office commencing on 12 March 2019.

(3): On 30 August 2018, the Supervisory Committee of the Company received the written resignation tendered by Mr. Peng Haiqing, a Supervisor. Due to adjustment of work arrangements, Mr. Peng Haiqing resigned from his position as a Supervisor of the Company. Since the resignation of Mr. Peng Haiqing will result in the number of Supervisors on the Supervisory Committee of the Company falling below the quorum as required by law, Mr. Peng Haiqing, in accordance with the requirements of the Articles of Association and relevant laws and regulations, continued to perform his duty as a Supervisor until a newly elected Supervisor takes office, until the new session of Supervisory Committee was elected by the Company on 12 March 2019.

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

(5): Mr. Wang Yongguang retired in April 2018 and the data is the number of shares held by him when he resigned.



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

- (6): The appointment dates of the current Director, Supervisors and senior management set out in the above table represent the commencement dates of appointment of the current session. On 13 November 2014, Mr. Guo Wenqing, Mr. Zhang Zhaoxiang, Mr. Jing Tianliang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung Peter were elected as non-employee representative Directors of the second session of the Board at the 2014 first extraordinary general meeting of the Company, and Mr. Lin Jinzhen was elected as employee representative Director of the second session of the Board of the Company at the 2014 second employee representative congress held on the same date. On 12 May 2015, the sixth meeting of the second session of the Board of the Company agreed to appoint Ms. Zou Hongying as the Vice President and Chief Accountant of the Company. On 26 October 2016, the 25th meeting of the second session of the Board of the Company agreed to appoint Mr. Zhang Mengxing as the President of the Company, and appoint Mr. Wang Shilei and Mr. Qu Yang as the Vice Presidents of the Company.

Name	Major work experience
Guo Wenqing	<p>Born in December 1964, Chinese nationality with no right of abode overseas, Mr. Guo is currently the Chairman of the Company, executive Director and legal representative), and concurrently serves as a director, general manager and deputy secretary of the Communist Party Committee of China Minmetals, as well as the Chairman (legal representative) of CMGC. Mr. Guo had served as deputy director, and director and secretary of the Communist Party Committee of the Hebei Province Highways Authority (河北省高速公路管理局), chairman of the board of directors and general manager of Hebei Province Highways Development Company Limited (河北省高速公路開發有限公司) and director of the Hebei Province Ports Authority (河北省港航管理局), and secretary of the Communist Party Committee, executive director and deputy general manager of CRBC International Co., Ltd. (路橋集團國際建設股份有限公司) since 1994. Mr. Guo served as deputy secretary of the Communist Party Committee and Director of the Company from December 2008 to August 2012, during which he served as director and deputy secretary of the Communist Party Committee of CMGC from April 2009 to July 2012. From July 2012 to August 2014, Mr. Guo served as vice chairman, general manager (legal representative) and deputy secretary of the Communist Party Committee of CMGC. Since August 2014, he has served as Chairman (legal representative) of CMGC. From August 2014 to April 2015, he served as general manager and deputy secretary of the Communist Party Committee of CMGC. From April 2015 to June 2018, he served as secretary of the Communist Party Committee of CMGC. From May 2016, he served as Director, general manager and deputy secretary of the Communist Party Group of China Minmetals. Meanwhile, he served as secretary of the Communist Party Committee of the Company from August 2012 to October 2016, and Chairman (executive Director and legal representative) of the Company from September 2013. Mr. Guo graduated from Hebei University of Science and Technology with a bachelor's degree in business administration, and obtained an executive MBA degree from Tsinghua University. Mr. Guo is a professor-level senior engineer and a senior political engineer.</p>

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zhang Zhaoxiang	<p>Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently secretary of the Communist Party Committee, the vice Chairman, and an executive Director of the Company, and concurrently a member of Communist Party Committee, the deputy general manager of China Minmetals, and secretary of the Communist Party Committee and the general manager and of CMGC. Mr. Zhang successively served as engineer, deputy director of the Jinchuan Branch, director of the General Office and vice president of Beijing Central Engineering and Research Institute of Non-ferrous Metallurgical Industries (北京有色冶金設計研究總院), and vice president, president and secretary of the Communist Party Committee of Central Engineering Institute for Non-ferrous Metallurgical Industries (中國有色工程設計研究總院). Mr. Zhang served as the executive director, general manager and secretary of the Communist Party Committee of China Nonferrous from August 2008 to November 2008 (during which he was also the chairman and general manager of China ENFI from December 2005 to February 2008 and the chairman thereof from February 2008 to November 2008). From November 2008 to September 2013, Mr. Zhang was a Vice President of the Company. From September 2013 to October 2016, he served as President of the Company, and served as an executive director of the Company from June 2014. From April 2015 to June 2018, he was the general manager and deputy secretary of the Communist Party of CMGC. From May 2015 to October 2016, he was deputy secretary of the Company. Since June 2016, he has served as the deputy general manager of China Minmetals. Since October 2016, he has served as the vice chairman and deputy secretary of the Communist Party of the Company. Since June 2018, he served as secretary of the Communist Party and the general manager of CMGC. Mr. Zhang obtained his bachelor's and master's degrees in chemical machinery from Tianjin University and an MBA degree from Peking University afterwards. He is a professor-level senior engineer.</p>
Zhou Jichang	<p>Born in December 1950, Chinese nationality with no right of abode overseas, currently serves as an Independent Non-executive Director the Company, an independent director of Shenzhen Overseas Chinese Town Company Limited (中國公路建設業協會), honorary president of China Highway Construction Association (中國公路建設業協會), and a member of the 11th and 12th National Committee of the Chinese People's Political Consultative Conference. Mr. Zhou successively served as technician, engineer, deputy officer of the bridge design workshop, personnel director and deputy director of CCCC First Highway Survey &amp; Design Institute (交通部第一公路勘察設計院) from January 1977 to May 1992. He served as vice chairman of the board of directors, deputy general manager, chairman of the board of directors and general manager of China Road and Bridge Construction Corporation (中國公路橋樑建設總公司) from May 1992 to November 1997. He served as chairman of the board of directors, president and secretary of the Communist Party Committee of China Road and Bridge Corporation (中國路橋(集團)總公司) from November 1997 to August 2005. He served as chairman of the board of directors, general manager and deputy secretary of the Communist Party Committee of China Communications Construction Group (Limited) (中國交通建設集團有限公司), and chairman of the board of directors and secretary of the Communist Party Committee of China Communications Construction Company Limited (中國交通建設股份有限公司) from August 2005 to April 2013. Mr. Zhou is a senior engineer with a master's degree.</p>

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Yu Hailong	<p>Born in August 1950, Chinese nationality with no right of abode overseas, Mr. Yu currently serves as an Independent Non-executive Director of the Company, and an independent director of China State Construction Engineering Corporation (中國建築股份有限公司) and Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司). Mr. Yu served as deputy director of the Personnel Bureau of the State Economic and Trade Commission (國家經委人事局) since February 1983, director of the office and the project investigation department of China Kangfu International Leasing Co., Ltd. under the Ministry of Foreign Trade and Economic Cooperation (國家外經貿部中國康富國際租賃公司) since February 1988, and deputy director of the General Office (in charge of work) of Machinery and Electric Qingfang Investment Co., Ltd. under the State Planning Commission (國家計委機電輕紡投資公司) since June 1992. Mr. Yu served as director of the office and secretary of the Communist Party Committee of State Development &amp; Investment Corporation (國家開發投資公司), and general manager of State Development &amp; Investment (Electronics) Corporation (國投電子公司) and State Development &amp; Investment (High Technology and Pioneering) Corporation (國投高科技創業公司) since March 1994. He served as general manager and deputy secretary of the Communist Party Committee of China New Era Group Corporation (中國新時代控股(集團)公司) since May 2002. From January 2010 to May 2010, he served as the general manager and secretary of the Communist Party Committee of China New Era Group Corporation; and he served as general manager, member of the standing committee of the Communist Party Committee and director of China Energy Conservation and Environmental Protection Group (中國節能環保集團公司) from January 2010 to September 2012. Mr. Yu graduated from Beijing Institute of Technology majoring in engineering management with a postgraduate qualification. He is a professor-level senior engineer with a master's degree in engineering.</p>
Ren Xudong	<p>Born in November 1953, Chinese nationality with no right of abode overseas, Mr. Ren currently serves as an Independent Non-executive Director of the Company, executive vice president and deputy secretary of the Communist Party Committee of China Nonferrous Metals Industry Association (中國有色金屬工業協會), independent director of Shenzhen Zhongjin Lingnan Nonfermet Company Limited (深圳市中金嶺南有色金屬股份有限公司), external director of China Aerospace Science and Industry Corporation Limited (中國航天科工集團有限公司) and external director of China Reform Holdings Corporation Limited(中國國新控股有限公司). He served as deputy managing officer and managing officer of the office of China National Non-Ferrous Metals Industry Corporation (中國有色金屬工業總公司) from December 1995 to August 1998, deputy general manager, group deputy general manager, deputy secretary of the Communist Party Committee of China Nonferrous Mining Corporation Limited Zambia NFCA Mining Co., Ltd. (中色建設集團非洲(贊比亞)礦業有限公司), and deputy general manager and executive director of China Non ferrous Group (HK) Co., Ltd. (中國有色金屬(香港)集團有限公司) from August 1998 to May 2002. Mr. Ren served as director, vice president and president of China Mining International Co., Ltd. (中國礦業國際有限公司) and assistant to the president of China Minmetals from May 2002 to December 2005. He also served as assistant to the general manager, deputy general manager and member of the Communist Party Committee of Aluminum Corporation of China (中國鋁業公司) from December 2005 to February 2013 and non-executive director of Chinalco Mining Corporation International from April 2011 to May 2013. He is a senior engineer with an associate degree.</p>



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Chan Ka Keung, Peter	<p>Born in April 1951, a citizen of Hong Kong, the PRC. He currently serves as an Independent Non-executive Director of the Company and China Railway Signal &amp; Communication Corporation Limited (中國鐵路通信信號股份有限公司). Mr. Chan served as a senior assistant of the Audit Department, manager of the Tax Department and senior manager of the China Service Department in Ernst &amp; Young, as well as chief financial officer of Dransfield Group. From January 1994 to December 2008, he served as a Beijing-based partner, a Beijing-based managing partner of the Tax and Investment Advisory Service Department and managing partner of the NPA Transaction Advisory Service Department of Ernst &amp; Young successively. Mr. Chan also served as a member of the executive committee of Hong Kong Chamber of Commerce in China from 1996 to 2003 and the chairman of Hong Kong Chamber of Commerce in China in 2000 and 2003. Mr. Chan served as independent non-executive director of CSR Corporation Limited (中國南車) and CRRC Corporation Limited (中國中車). Mr. Chan graduated from the Hong Kong Polytechnic majoring in accounting. He is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants of UK, an associate member of the Institute of Chartered Secretaries and Administrators of UK and a member of CPA Australia.</p>
Lin Jinzhen	<p>Born in July 1961, Chinese nationality with no right of abode overseas, Mr. Lin is currently an employee representative Director and the chairman of union of the Company and concurrently an employee representative director and the chairman of labour union of CMGC. Mr. Lin successively served as assistant engineer and principal staff member in the business administration office under the Infrastructure Construction Bureau (基建局企業管理處), as well as engineer in the general office of the construction department (建設司綜合處) of the Ministry of Metallurgical Industry (冶金工業部), engineer and senior engineer of China Metallurgical Construction (Group) Corporation (during preparation of its establishment) (中國冶金建設集團公司(籌備)), the deputy chief of the personnel division, the manager of the personnel department II, and deputy head of the human resources department of China Metallurgical Construction (Group) Corporation (中國冶金建設集團公司). He served as the head of the human resources department (head of the organizational department under the Communist Party Committee) of CMGC from November 2003 to September 2013 (and of MCC from May 2009 onwards). He has been serving as employee representative Director of CMGC since November 2006, employee representative Director of MCC since October 2012, and chairman of the labour union (Preparatory) of CMGC and MCC from June 2013 to September 2018. He served as the head of the organizational department under the Communist Party Committee of MCC from September 2013 to July 2014. He started to serve as the secretary to the Communist Party committee of CMGC since April 2014. He has served as the secretary to the Communist Party Committee of CMGC and MCC since April 2014. From July 2014 to March 2015, he served as a director and secretary of the Communist Party of MCC TianGong Group Corporation Limited (中冶天工集團有限公司). Since September 2018, he has served as the chairman of labour union of CMGC and MCC. Mr. Lin graduated from Northeastern University (東北大學) in mining and construction. He is a professor-level senior engineer.</p>



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Cao Xiuyun	<p>Born in December 1961, Chinese nationality, with no right of abode overseas. He currently serves as the chairman of the Supervisory Committee of the Company and also serves as the chairman of the Supervisory Committee of CMGC. Since July 1983, Mr. Cao worked successively at Zhuzhou Smelter (株洲冶煉廠) and China Nonferrous Metals Industry Changsha Company (中國有色金屬工業長沙公司). Since July 1989, he served successively as the deputy director of the roasting plant of Zhuzhou Smelter, the deputy director and director of the zinc leaching plant of Zhuzhou Smelter, and the deputy director of Zhuzhou Smelter. Since July 2000, Mr. Cao served successively as the general manager of Hunan Zhuye Torch Metals Co., Ltd. (湖南株冶火炬金屬股份有限公司), and the general manager of Zhuzhou Smelter Group Company Limited (株洲冶煉集團有限責任公司). He served as the general manager and deputy secretary of the Communist Party Committee of Hunan Nonferrous Metal Holding Group Co., Ltd. (湖南有色金屬控股集團有限公司) from September 2004 to January 2011, as the general manager and deputy secretary of the Party Committee of Hunan Nonferrous Metal Holding Group Co., Ltd. from January 2011 to April 2014, concurrently as the president of Zhuzhou Smelter Group Company Limited from August 2012 to December 2016, as the assistant to the general manager of China Minmetals Corporation (中國五礦集團公司), and concurrently as the deputy general manager and a member of the Party Committee of China Minmetals Non-Ferrous Metals Holding Company Limited (五礦有色金屬控股有限公司) from April 2014 to October 2016. He has been the assistant to the general manager of China Minmetals from October 2016 to June 2018. He has served as the chairman of the board of supervisors of CMGC since September 2018. Mr. Cao graduated from Central South Institute of Mining and Metallurgy with a bachelor's degree in nonferrous metallurgy, and from the nonferrous metallurgy department of Central South University of Technology (中南工業大學) with a master's degree of engineering in nonferrous metallurgy (post-graduate). He is a senior engineer at professor/research fellow level.</p>
Zhang Yandi	<p>Born in March 1979, Chinese nationality, with no right of abode overseas. She currently serves as a Supervisor, the deputy head of the capital department of the Company and concurrently as a supervisor of CMGC. Ms. Zhang served successively as a staff member and the business manager of the planning and finance department of CMGC. She served as the deputy head of the planning and finance division of the planning and finance department (head office) of MCC from June 2010 to October 2012, as the deputy head of the accounting information division and the accounting management division of the finance department of MCC from October 2012 to July 2014, as the head of the accounting management division of the planning and finance department (debt clearance office) of MCC from July 2014 to February 2017, and as the general manager of the financial accounting department of MCC Capital Engineering &amp; Research Incorporation Limited (中冶京誠工程技術有限公司) from February 2017 to March 2018. She has been serving as the deputy head of the capital department of the Company since March 2018. Ms. Zhang graduated from the accounting department of the School of Economics and Management of North China University of Technology (北方工業大學) with a bachelor's degree in economics in 2000, and from the accounting department of the School of Economics and Management of Beijing Jiaotong University (北京交通大學) with a master's degree of management in 2004. She is a senior accountant and certified accountant (non-practicing).</p>

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Chu Zhiqi	<p>Born in December 1970, Chinese nationality with no right of abode overseas, currently serves as an employee supervisor and the deputy director of the supervisory department of the Company, and concurrently serves as an employee supervisor and the deputy director of the supervisory department of CMGC. Mr. Chu Zhiqi successively worked in Bureau of Materials in Dingzhou City, Hebei Province (河北省定州市 物資局), CRBC International Co., Ltd. (路橋建設國際股份有限公司), CCCC Third Highway Engineering Co., Ltd. (中交三公局) and CCCC Fourth Highway Engineering Co., Ltd. (中交四公局). He joined MCC Inner Mongolia Construction &amp; Investment Co., Ltd. (中冶內蒙古建設投資有限公司) and the Command of MCC Transportation Inner Mongolia Highway Project (中冶交通內蒙古高速公路項目指揮部) in July 2015. He served as the director of the finance department of MCC Inner Mongolia Construction &amp; Investment Co., Ltd. and the Command of MCC Transportation Inner Mongolia Highway Project from October 2015 to March 2016, the director of the audit and supervisory department of MCC Inner Mongolia Construction &amp; Investment Co., Ltd. and the Command of MCC Transportation Inner Mongolia Highway Project from March 2016 to June 2016, the secretary of the Discipline Committee of MCC Inner Mongolia Construction &amp; Investment Co., Ltd. and the secretary of the discipline inspection and working commission of the Command of MCC Transportation Inner Mongolia Highway Project from June 2016 to April 2018. He has been serving as the deputy director of the supervisory department of the Company, the deputy director of the supervisory department of MCC, and concurrently the deputy director of the supervisory department of CMGC since April 2018. He has been an employee supervisor of CMGC since August 2018 and an employee supervisor of the Company since March 2019. Mr. Chu graduated from Hebei Material School as a secondary student majoring in material finance accountant. He obtained a college diploma in economic management from Correspondence College of the Party School of Hebei Province (河北省委黨校函授學院), and an undergraduate degree in accounting from Jiangxi Economic Management Cadre Institute (江西省經濟幹部管理學院). He is an accountant.</p>
Zhang Mengxing	<p>Born in August 1963, Chinese nationality with no right of abode overseas, Mr. Zhang is currently the president and deputy secretary of the Communist Party Committee of the Company, as well as a deputy secretary of the Communist Party Committee of CMGC. Mr. Zhang once served as deputy manager, acting manager and manager of No. 2 Company (二公司), and deputy manager of Tianjin Company (天津公司) of China MCC 20th Construction Corporation. From February 1999 to October 2006, Mr. Zhang served as deputy general manager of China MCC 20th Construction Corporation and deputy manager and manager of Tianjin MCC 20 Group Co., Ltd. (天津二十冶). From October 2006 to October 2012, he served as director and general manager of China MCC 20th Construction Corporation (subsequently renamed as China MCC20 Group Corp. Ltd.). From October 2012 to September 2014, Mr. Zhang served as the chairman and secretary of the Communist Party Committee of China MCC20 Group Corp. Ltd. From September 2014 to May 2015, he served as the Chief Economist of the Company and concurrently the chairman of MCC International Incorporation Ltd. He served as vice president of the Company from May 2015 to October 2016, and has concurrently acted as the chairman of MCC International Incorporation Ltd. from May 2015 to October 2017. He has been the President and deputy secretary of the Communist Party Committee of the Company, as well as the deputy secretary of the Communist Party Committee of CMGC since October 2016. Mr. Zhang graduated from the Department of Architectural Engineering of Baotou Institute of Iron and Steel Technology (包頭鋼鐵學院建築工程系) with a bachelor's degree of engineering in industrial and civilian construction. Mr. Zhang is a professor-level senior engineer.</p>

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

<b>Name</b>	<b>Major work experience</b>
Wang Shilei	<p>Born in March 1967, Chinese nationality with no right of abode overseas, Mr. Wang is currently a vice President and deputy secretary of the Communist Party of the Company, and concurrently serves as deputy secretary of the Communist Party of MCC Group. Mr. Wang Shilei successively served as deputy section chief, section chief and assistant to the manager of the Industrial Installation and Construction Company of Shanghai Bao Steel Metallurgical Construction Corp. (上海寶鋼冶金建設公司工業安裝工程公司), deputy director of the third operation division of the operation department and deputy director of Zhenjiang Branch of Shanghai Bao Steel Metallurgical Construction Corp., deputy manager of the construction project department of Xiamen International Convention and Exhibition Center, manager of the Industrial Installation and Construction Company of Shanghai Baosteel Metallurgical Construction Corp., and assistant to the general manager of Shanghai Bao Steel Metallurgical Construction Corp.. He served as deputy general manager of Shanghai Baoye Construction Corp., Ltd. (上海寶冶建設有限公司) from January 2003 to October 2006, director and general manager of Shanghai Baoye Construction Corp., Ltd. from October 2006 to November 2014, chairman, general manager and deputy secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from November 2014 to June 2015, chairman, general manager and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from June 2015 to July 2015. He has been the chairman and secretary of the Communist Party Committee of Shanghai Baoye Group Corp., Ltd. from July 2015 to March 2017. He has been a Vice President of the Company since October 2016. Since April 2018, he has been deputy secretary of the Company. Since June 2018, he serves as deputy secretary of the Communist Party of MCC Group. Mr. Wang graduated from the Department of Management Engineering of Xi'an Metallurgy Architecture College, majoring in construction management and engineering with a bachelor's degree in engineering. He is a professor-level senior engineer.</p>
Zou Hongying	<p>Born in September 1964, Chinese nationality with no right of abode overseas, Ms. Zou is currently the vice President and the Chief Accountant of the Company, and concurrently serves as chairman, secretary of the Communist Party Committee and legal representative of MCC Finance Corporation Ltd.,. Ms. Zou once served as deputy chief and chief of the finance division, deputy chief accountant and chief accountant of the finance division, as well as deputy director of the planning and finance department of China MCC 22nd Construction Corporation, a deputy manager of the planning and finance department under the management department, deputy director (in charge of work) of the audit department, as well as director of the department of finance and asset management, director of finance department and deputy chief accountant of CMGC. Ms. Zou graduated from East China Institute of Technology and subsequently obtained an MBA degree. She is a senior accountant.</p>



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Qu Yang	<p>Born in May 1970, Chinese nationality with no right of abode overseas, Mr. Qu is currently a vice President of the Company. Mr. Qu Yang successively served as deputy director (section level), the director (deputy director level), and secretary of the Communist Party of the technology trade department of the Automation System Research and Design Institution (自動化系統研究設計所), person in charge of the server operation department, secretary of the Communist Party branch, director and secretary of the Communist Party of the Smart Device Research Institute (智能裝備研究所) and deputy chief engineer of the Automation Research Institute (自動化研究院) of the Ministry of Metallurgy. He served as vice president (deputy general manager) of Beijing MCC Equipment Research &amp; Design Corporation Ltd. (北京中冶設備研究設計總院有限公司) from December 2009 to January 2013, and secretary of the Communist Party Committee and vice president (deputy general manager) of Beijing MCC Equipment Research &amp; Design Corporation Ltd. from January 2013 to November 2014. Mr. Qu Yang acted as an assistant to the president of the Company from November 2014 to October 2016 and served as the chairman of MCC Asset Management Co., Ltd. from November 2014 to October 2017. He has been servicing as a vice President of the Company since October 2016. Mr. Qu Yang graduated from the Department of Automated Control of Northeast University of Technology, majoring in industrial automation instrument, with a bachelor's degree in engineering, and the College of Information Science and Engineering of Northeastern University, majoring in control theory and control engineering, with a doctoral degree in engineering. He is a professor-level senior engineer.</p>
Yan Aizhong	<p>Born in June 1967, Chinese nationality with no right of abode overseas, Mr. Yan is currently the vice president and the Head of the Organization Department of the Party Committee of the Company. Mr. Yan Aizhong successively served as deputy secretary of the Communist Youth League of the Mechanical and Electrical Branch of Baotou Iron &amp; Steel Group Construction Co., Ltd. (包鋼集團建設公司機電公司), the deputy secretary and the secretary of the Communist Party Committee of the Fourth Engineering Team, the deputy secretary of the Communist Party Committee and the secretary of the Discipline Committee of the Mechanical and Electrical Branch, the deputy secretary of the Communist Party Committee, the secretary of the Discipline Committee and secretary of the Communist Party Committee of the Mechanical and Electrical Branch of China Second Metallurgical Construction Corporation Limited (中國第二冶金建設有限責任公司), (subsequently renamed as China Second Metallurgical Group Corporation Limited), and assistant to the general manager of China Second Metallurgical Group Corporation Limited. He served as deputy general manager, deputy secretary of the Communist Party Committee, secretary of the Discipline Committee and chairman of the labour union of China Second Metallurgical Group Corporation Limited from January 2010 to September 2012, head of the promotion department and deputy head of the corporate culture department of the Communist Party Committee of MCC from September 2012 to January 2013, director of the general office of MCC from January 2013 to November 2014 (during which he concurrently served as director of the general office of the board of directors of MCC from May 2014 to November 2014), head of the organization department and head of the human resources department of the Communist Party Committee of MCC from November 2014 to May 2016, and has been the head of the Party Committee organization department of MCC since May 2016. He has been a Supervisor of MCC from August 2016 to March 2019, and has been an assistant to the president of MCC from May 2017 to April 2018. Mr. Yan has been the vice president of the Company since March 2019. Mr. Yan graduated from the mechanical and electrical engineering department of Baotou Iron &amp; Steel College, majoring in industrial electrical automation, with a bachelor's degree, and from Inner Mongolia Autonomous Region Committee Party School, majoring in economic management, with a postgraduate degree. He is a professor-level senior engineer.</p>



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Zeng Jianzhong	<p>Born in October 1965, Chinese nationality with no right of abode overseas, Mr. Zeng is currently the vice president of the Company. Mr. Zeng successively served as the deputy director and the director of the Gas Office and the director of the Gas Ventilation Office of Beijing Iron and Steel Design and Research Institute (北京鋼鐵設計研究總院) under the Ministry of Metallurgy, and the general manager of the Technical Institute of Energy and Environmental Engineering of Capital Engineering &amp; Research Incorporation Limited (中冶京誠工程技術有限公司). He served as an assistant to the president of Capital Engineering &amp; Research Incorporation Limited and concurrently served as the general manager of the Technical Institute of Energy and Environmental Engineering, the general manager of the engineering control department, the general manager of municipal and public facilities engineering department, and the general manager of the metallurgical engineering department. He served as the deputy head (at the ministry level) of the domestic engineering management department and the head of the construction project quota station of metallurgical industry of the Company from June 2013 to May 2017, the head of the domestic engineering management department (subsequently renamed as the domestic market development department). He served as an assistant to the president of the Company from May 2017 to April 2018 and concurrently the head of the domestic market development department. He has been the vice president of the Company since April 2018. Mr. Zeng Jianzhong graduated from the chemical machinery department of Dalian Institute of Technology, majoring in chemical equipment and machinery, with a bachelor's degree. He is a professor-level senior engineer.</p>
Zhang Ye	<p>Born in March 1965, Chinese nationality, with no right of abode overseas, Mr. Zhang is currently the vice president of the Company. Mr. Zhang held positions in various companies including China Xinlong Corp., Ltd. (中國鑫隆有限公司). Mr. Zhang joined China National Metals and Minerals Import and Export Corporation (中國五金礦產進出口總公司) at the end of 1994, and successively served as a deputy manager of the coal business department of the coal department of China Mining Co., Ltd. (中國礦產有限責任公司) under China National Metals and Minerals Import and Export Corporation, a general manager of the corporate planning department of Minmetals Trading Company Limited (五礦貿易有限責任公司), a deputy general manager of China Mining Co., Ltd, and deputy general manager of the ferrous metal mining operations center of China Minmetals (and later served as a deputy general manager of Minmetals Mining Holdings Limited, a platform company established thereafter) from 1997. Mr. Zhang served as a director of the general office, a director of the general office of the Communist Party Committee, and a director of the general office of the board of directors of China Minmetals from July 2015 to September 2016. Mr. Zhang served as a director of the general office of the Communist Party Committee and a director of the general office of the board of directors of China Minmetals from September 2016 to March 2018. Mr. Zhang was an assistant to general manager (president) of the Company from March 2018 to June 2018. Since June 2018, he has been the vice president of the Company. Mr. Zhang graduated from the University of International Business and Economics, majoring in International Business English, and obtained a bachelor's degree in Economics. Subsequently, Mr. Zhang obtained an EMBA degree from the University of Science and Technology Beijing, and is a senior international business engineer.</p>

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

Name	Major work experience
Liu Fuming	<p>Born in November 1963, Chinese nationality with no right of abode overseas, Mr. Liu currently serves as the vice president of the Company. He also serves as the chairman of the board of directors and legal representative of MCC Real Estate Group Co., Ltd. Mr. Liu served as technician, assistant engineer, deputy team leader, team leader of Anbei team, assistant to the manager, deputy manager, manager of the Pipeline and Railway Engineering Company of China MCC 22nd Construction Corporation (中國第二十二冶金建設公司), served as assistant to the general manager of China MCC 22nd Construction Corporation. From November 2004 to November 2006, he served as the deputy general manager of China MCC 22nd Construction Corporation. From November 2006 to October 2010, he served as deputy general manager of MCC Jingtang Construction Corporation Limited (中冶京唐建設有限公司) (later renamed as China 22MCC Group Co., Ltd. (中國二十二冶集團有限公司)). From October 2010 to April 2013, he successively served as director of the company, general manager, deputy secretary of the Communist Party Committee, chairman of the board of directors, legal representative, secretary of the Communist Party Committee and general manager of MCC Real Estate Co., Ltd. (中冶置業有限責任公司). He served as chairman of the board of directors, legal representative and secretary of the Communist Party Committee of MCC Real Estate Group Co., Ltd. (中冶置業集團有限公司) since April 2013. From June 2015 to January 2019, he served as assistant to the president of the Company. He served as the vice president of the Company since January 2019. Mr. Liu graduated from Shenyang Metallurgical Engineering Institute (瀋陽冶金機械專科學校) majoring in welding (associate degree), Jinan University majoring in computer science (bachelor's degree), and Northeastern University majoring in software engineering (postgraduate) and materials science (doctoral graduate). He is a professor-level senior engineer.</p>
Zeng Gang	<p>Born in October 1964, Chinese nationality, with no right of overseas abroad outside the PRC, Mr. Zeng currently serves as the secretary to the Board, assistant to president, Joint Company Secretary and director of the General Office (Party Committee Office) of the Company. Mr. Zeng served as engineer, deputy director and director of Personnel Department of Beijing Central Engineering Institute for Nonferrous Metallurgical Industries from 1985 to 2003; deputy secretary of the Communist Party Committee, secretary of Commission for Discipline Inspection and Vice President of China Nonferrous Engineering and Research Institute (now known as China Nonferrous Engineering and Research Institute Co., Ltd.) from December 2003 to November 2013; director of China ENFI from December 2005 to November 2013; director, deputy general manager, deputy secretary of the Communist Party Committee, secretary of Commission for Discipline Inspection, secretary to the board of directors, and chief legal counsel of MCC Capital Engineering &amp; Research Incorporation Limited from November 2013 to September 2016. Mr. Zeng was appointed as director of the General Office (Party Committee Office) of the Company since September 2016 and assistant to President of the Company since April 2018. Mr. Zeng has been the secretary to the Board of the Company and Joint Company Secretary since March 2019. Mr. Zeng graduated from Department of Management Engineering of Central South Institute of Mining and Metallurgy, majoring in Management Engineering (undergraduate) and Graduate School of the Party School of the Central Committee of the CPC (postgraduate), majoring in Economic Management; and he is a senior engineer.</p>

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

Applicable  Not applicable

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

### (I) Employment status at shareholder entities

Name	Name of shareholder entities	Position in shareholder entities	Commencement date of term of office	End date of term of office
Guo Wenqing	China Metallurgical Group Corporation	Chairman (legal representative)	August 2014	—
		Secretary of the Communist Party Committee	April 2015	June 2018
Zhang Zhaoxiang	China Metallurgical Group Corporation	Secretary of the Communist Party Committee	June 2018	—
Zhang Mengxing	China Metallurgical Group Corporation	General manager	April 2015	—
		Deputy secretary of the Communist Party Committee	October 2016	—
Wang Shilei	China Metallurgical Group Corporation	Deputy secretary of the Communist Party Committee	June 2018	—
Lin Jinzhen	China Metallurgical Group Corporation	Employee representative Director	November 2006	—
Shao Bo	China Metallurgical Group Corporation	Part-time Supervisor	March 2010	August 2018
Cao Xiuyun	China Metallurgical Group Corporation	Chairman of the Supervisory Committee	August 2018	—
Zhang Yandi	China Metallurgical Group Corporation	Supervisor	August 2018	—
Chu Zhiqi	China Metallurgical Group Corporation	Employee representative Supervisor	August 2018	—

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## (II) Employment status at other entities

Name	Name of other entities	Position in other entities	Commencement date of term of office	End date of term of office
Guo Wenqing	China Minmetals Corporation	Director, general manager, deputy secretary of the Communist Party Committee	May 2016	—
Zhang Zhaoxiang	China Minmetals Corporation	Deputy general manager, member of the Communist Party Committee	June 2016	—
Zhou Jichang	Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司)	Independent director	November 2016	—
Yu Hailong	China State Construction Engineering Corporation (中國建築股份有限公司)	Independent director	June 2014	—
	Shenzhen Overseas Chinese Town Company Limited (深圳華僑城股份有限公司)	Independent director	December 2014	—
Ren Xudong	China Nonferrous Metal Industry Association (中國有色金屬工業協會)	Executive vice president and deputy secretary of the Communist Party Committee	January 2013	—
	Shenzhen Zhongjin Lingnan Nonfermet Company Limited (深圳市中金嶺南有色金屬股份有限公司)	Independent director	August 2014	—
	China Aerospace Science and Industry Corporation Limited (中國航天科工集團有限公司)	External director	January 2015	—
	China Reform Holdings Corporation Limited (中國國新控股有限公司)	External director	January 2015	—
Chan Ka Keung Peter	China Railway Signal & Communication Corporation Limited	Independent non-executive director	August 2018	—
Peng Haiqing	China Minmetals Corporation	Deputy director of chief finance department	September 2016	—
Shao Bo	China Minmetals Corporation	Deputy director of strategic development department	March 2018	—
Zou Hongying	MCC CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司)	Chairman, legal representative	May 2015	—



# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Determination procedures for remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors (not being employee representatives) of the Company were considered and approved at general meetings. The Remuneration Committee of the Board makes remuneration recommendations for senior management, which are subject to the Board's consideration and approval.
Basis for Determination of Remuneration of Directors, Supervisors and senior management	<p>The remuneration of Independent Non-executive Directors of the Company for 2018 comprised of basic salary and conference allowances. The standards of the annual basic salary and conference allowances were determined with reference to the Remuneration Standards for External Directors of Pilot Enterprises as promulgated by the SASAC. The Company's executive Directors do not receive remuneration from their positions as Directors but are remunerated in accordance with their positions and performance at the Company.</p> <p>The Company's Supervisors receive remuneration in accordance with the Management Rules of the Head Office on Remuneration and Assessment (總部薪酬與考核管理辦法) and their positions.</p> <p>Senior management of the Company are remunerated in accordance with management regulations of higher authorities and the administrative measures for remuneration of senior management of the Company.</p>
Remuneration actually paid to Directors, Supervisors and senior management	RMB10,070,221.22
Total actual remuneration received by all Directors, Supervisors and senior management at the end of the Reporting Period	RMB10,070,221.22

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

The remuneration of Directors and Supervisors of the Company in 2018 was as follows:

Unit: RMB

Name	Basic salary, housing allowances, other allowances and benefits-in-kind	Pension scheme contributions (pension insurance borne by the Company)	Performance remuneration	Total annual remuneration
Guo Wenqing	0	0	0	0
Zhang Zhaoxiang	0	0	0	0
Jing Tianliang	144,040.00	0	0	144,040.00
Yu Hailong	172,355.00	0	0	172,355.00
Ren Xudong	160,355.00	0	0	160,355.00
Chan Ka Keung Peter	166,355.00	0	0	166,355.00
Lin Jinzhen	484,512.00	55,311.66	510,420.00	1,050,243.66
<b>Sub-total of Directors</b>	<b>1,127,617.00</b>	<b>55,311.66</b>	<b>510,420.00</b>	<b>1,693,348.66</b>
Yan Aizhong	672,102.00	55,311.66	133,830.00	861,243.66
Peng Haiqing	0	0	0	0
Shao Bo	160,816.00	13,177.26	72,740.00	246,733.26
<b>Sub-total of Supervisors</b>	<b>832,918.00</b>	<b>68,488.92</b>	<b>206,570.00</b>	<b>1,107,976.92</b>
Total	1,960,535.00	123,800.58	716,990.00	2,801,325.58

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

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

Name	Position	Change	Reason	Time
Zhou Jichang	Independent Non-executive Director	Elected	Appointed by election	March 2019
Cao Xiuyun	Chairman of the Supervisory Committee	Elected	Appointed by election	March 2019
Zhang Yandi	Supervisor	Elected	Appointed by election	March 2019
Chu Zhiqi	Employee representative Director	Elected	Appointed by election	March 2019
Yan Aizhong	Vice president	Appointed	Appointed by the Board	March 2019
Zeng Jianzhong	Vice president	Appointed	Appointed by the Board	April 2018
Zhang Ye	Vice president	Appointed	Appointed by the Board	June 2018
Liu Fuming	Vice president	Appointed	Appointed by the Board	January 2019
Zeng Gang	Secretary to the Board	Appointed	Appointed by the Board	March 2019
Jing Tianliang	Non-executive Director	Resigned	Expiry of term of office	March 2019
Yan Aizhong	Supervisor	Resigned	Change of work arrangements	March 2019
Peng Haiqing	Supervisor	Resigned	Change of work arrangements	March 2019
Shao Bo	Supervisor	Resigned	Change of work arrangements	March 2019
Wang Yongguang	Vice president	Resigned	Resignation due to legal retirement age	April 2018
Li Yuzhuo	Secretary to the Board	Resigned	Expiry of term of office	March 2019

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

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

Applicable       Not applicable

## VI. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

### (I) Employees

Number of existing staff of the Company	180
Number of existing staff of principal subsidiaries	96,466
Total number of existing staff	96,646
Number of resigned or retired staff to whom the Company and principal subsidiaries are liable	130,063

#### *Composition of Professionals*

Categories of Professionals	Number of Professionals
Engineering contracting	86,578
Property development	1,291
Equipment manufacture	6,615
Resources development	954
Others	1,208
Total	96,646

#### *Educational Level*

Categories of Educational Level	Number (in persons)
Above Graduate Degree	10,366
Undergraduate Degree	43,765
Associate Degree	17,160
Below Associate Degree	25,355
Total	96,646

### (II) Remuneration policies

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

# PARTICULARS OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND STAFF

## (III) Training programs

In 2018, the Company continued to actively provide education and trainings for management personnel, professional and technical personnel in accordance with the hierarchical management model. The Company took the in-depth study and implementation of the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the Spirit of the 19th CPC National Congress as the core task to arm the leaders and cadres with theories and improve their political awareness and the theoretical attainment. During the period from March to June, a centralized rotation training was provided to the leaders and cadres of the Company, who were divided into eight groups to study the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the Spirit of the 19th CPC National Congress, which was participated by a total of 5,021 leaders and cadres of the Company at the division-head level and above. The second-stage training program for project managers, and the training programs for overseas market development personnel, senior technicians, cadres at the division-head level and new employers were conducted to improve the overall quality and professional competence of the personnel at all positions. The Company continued to undertake the works of the national training base for the welding and architecture metal structure events of the 45th World Skills Competition, in which nine contestants of the Company joined the national team and occupied half of the seats of the national team.

During the Reporting Period, 65,849 personnel of the Company participated in education and trainings with participation of 183,234 times.

## VII. MANAGEMENT CONTRACTS

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

## VIII. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

## IX. DIRECTORS' INTERESTS IN BUSINESS COMPETING WITH THE COMPANY

During the Reporting Period and as of the latest practicable date before the publication of this report (being 29 March 2019), none of the Directors had any interests in any business that competes or is likely to compete, either directly or indirectly, with the business of the Company.

## X. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

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



# CORPORATE GOVERNANCE

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

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

The Board of the Company has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period, the Company has complied with the requirements of the Corporate Governance Code, except for the code provision E.1.2 and A.4.2 of the Corporate Governance Code. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Guo Wenqing, the chairman of the Company, was not able to attend the 2017 annual general meeting due to business engagement. Pursuant to relevant requirements, Zhang Zhaoxiang, an executive Director and Vice Chairman of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting. Pursuant to the code provision A.4.2 of the Corporate Governance Code, every director shall be subject to retirement by rotation at least once every three years. From November 2014 to November 2017, the tenure of the second session of the Board and the Supervisory Committee of the Company has exceeded a term of three years. Pursuant to the provisions of the Articles of Association of the Company, prior to the establishment of the third session of the Board and the Supervisory Committee, the members of the second session of the Board and the Supervisory Committee shall continue to discharge their duties. The Company convened the 2019 First Extraordinary General Meeting on 12 March 2019, and elected the members of third session of the Board and the Supervisory Committee.

During the Reporting Period, pursuant to the deployment of the Central Government and regulatory requirements, the Company actively incorporated the Party building into the Articles of Association, strengthened the protection of interest of minority Shareholders, and incorporated the specific work such as reform of cumulative voting system into the systems and mechanisms. The Company made amendments to the Articles of Association, the Rules of Procedures for Board Meetings and the Rules of Procedures for General Meeting of MCC, of which the Articles of Association and the Rules of Procedures for Board Meetings have been considered and approved by the general meeting and the Rules of Procedures for General Meeting of MCC has been considered and approved by the Board and is subject to consideration at the general meeting.

## II. SUMMARY OF THE GENERAL MEETINGS

Sessions of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions	Date of disclosure of publication of the resolutions
2017 annual general meeting	26 June 2018	<a href="http://www.sse.com.cn">www.sse.com.cn</a> <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>	26 June 2018

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

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

## Shareholders' Meeting

On 26 June 2018, the Company convened the 2017 annual general meeting, and Mr. Zhang Zhaoxiang (vice chairman of the Company), Mr. Chan Ka Keung Peter and Mr. Ren Xudong (independent Directors) and Mr. Lin Jinzhen (employee representative Director) attended the meeting. 7 ordinary resolutions and 3 special resolutions were considered and approved at the meeting, including the resolution in relation to Work Report of the Board of MCC for the year 2017, the resolution in relation to the Work Report of the Supervisory Committee of MCC for the year 2017, the resolution in relation to the report of MCC on final accounts for the year 2017, the resolution in relation to profit distribution of MCC for the year 2017, the resolution in relation to the emoluments of Directors and Supervisors of MCC for the year 2017, the resolution in relation to the guarantee plan of MCC for the year 2018, the resolution in relation to the appointment of the auditor of the financial report and internal control auditor of the Company for the year 2018, the resolution in relation to the Grant of General Mandate to the Board of Directors to Issue Shares, the resolution in relation to the Amendment to the Articles of Association and the resolution in relation to the Amendment to the Rules of Procedures for Board Meetings.

## III. THE PERFORMANCE OF DUTIES BY DIRECTORS

During the Reporting Period, the second session of the Board of the Company was comprised of 7 Directors with Guo Wenqing as the Chairman and executive Director, Zhang Zhaoxiang as the vice chairman and executive director, Jing Tianliang as a non-executive Director, Yu Hailong, Ren Xudong and Chan Ka Keung Peter as Independent Non-executive Directors, and Lin Jinzhen as an employee representative Director (non-executive Director). None of the Independent Non-executive Directors of the Board held any position of the Company other than the Directors of the Company. In particular, Mr. Chan Ka Keung Peter has expertise in the fields of financial management and accounting, which was in compliance with the requirements of the Hong Kong Listing Rules. Meanwhile, pursuant to the confirmation of independence from each of the Independent Non-executive Directors pursuant to Rule 3.13 of the Hong Kong Listing Rules, the Company is of the view that each of the Independent Non-executive Directors is independent. All the Independent Non-executive Directors are able to give objective and independent opinions on decisions, thus ensuring the independence and fairness of the decisions made by the Board.

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

On 12 March 2019, the Company convened the 2019 first extraordinary general meeting, at which 6 non-employee representative Directors of the third session of the Board were elected to jointly constitute the third session of the Board of the Company with 1 employee representative Director elected at the employee representative congress held on 11 March 2019. On 12 March 2019, the Company convened the first meeting of the third session of the Board, at which the Chairman and Vice Chairman were elected. The third session of the Board of the Company comprised of 7 Directors with Guo Wenqing as the Chairman and an executive Director, Zhang Zhaoxiang as the Vice Chairman and an executive Director, Zhou Jichang, Yu Hailong, Ren Xudong and Chan Ka Keung Peter as Independent Non-executive Directors, and Lin Jinzhen as the employee representative Director (non-executive Director).

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

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

# CORPORATE GOVERNANCE

During the Reporting Period, through study and training, all Directors practically enhanced their duty performance capability and updated the professional knowledge and skills required for the performance of their duties. The specific contents of training/study participated by Directors during the Reporting Period are as follows:

Name of Directors	Contents of training/study
Guo Wenqing	"Promoting Entrepreneurship & Developing World-class Enterprises", a seminar organized by China Business Executives Academy, Dalian
Zhang Zhaoxiang	"Promoting Strategic Reorganization & Improving Core Competitiveness", a seminar organized by Chinese Academy of Governance
Jing Tianliang	Study and Research on "Enhancing Management of Accounts Receivable of State-owned Enterprises & Achieving High-quality Development of State-owned Economy"
Yu Hailong	2018 First Session of Subsequent Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange
Ren Xudong	2018 First Session of Subsequent Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange
Chan Ka Keung Peter	2018 First Session of Subsequent Training for Independent Directors of Listed Companies organized by the Shanghai Stock Exchange
Lin Jinzhen	"New Development Concept" Training Program organized by China E-learning Academy for Leadership

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

Name of Directors	Whether they are independent Directors	Number of attendance at Board meetings required for the year	Attendance at Board Meetings				Attendance at general meetings	
			Number of meetings attended in person	Attendance through communication tools	Number of meetings attended by proxy	Number of absence	Whether they did not attend in person for two times consecutively	Number of general meetings attended
Guo Wenqing	No	14	13	9	1	0	No	0
Zhang Zhaoxiang	No	14	14	9	0	0	No	1
Jing Tianliang	No	14	11	9	3	0	No	0
Yu Hailong	Yes	14	14	9	0	0	No	0
Ren Xudong	Yes	14	14	9	0	0	No	1
Chan Ka Keung Peter	Yes	14	14	9	0	0	No	1
Lin Jinzhen	No	14	13	9	1	0	No	1
Number of Board meetings held within the year								14
Including: Number of on-site meetings								5
Number of meetings convened via communications								9
Number of meeting convened by combination of on-site meeting and communication								0

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

During the Reporting Period, Independent Directors of the Company did not have objections on relevant issues of the Company.

## **(III) Duties and Operation of the Board**

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

The roles of Chairman and President of the Company are segregated and Mr. Guo Wenqing serves as the Chairman. Mr. Zhang Mengxing serves as the President. The Chairman and the President perform their respective duties in accordance with the relevant requirements regarding division of duties set out in rules such as the Articles of Association, the Rules of Procedures for Board Meetings and the Work Rules for President of the Company.

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

The President is accountable to the Board and is mainly responsible for taking charge of the Company's production, operation and management and reporting his work to the Board, organizing the implementation of resolutions of the Board, organizing the implementation of the Company's annual business plans and investment plans, drafting plans for the establishment of the Company's internal management structure, drafting the Company's basic management system, formulating specific rules and regulations of the Company, preparing the merger, demerger or restructuring plans for subsidiaries of the Company, and performing other duties required by laws, administrative regulations, department rules or the Articles of Association, and authorized by the Board. The Vice President and other members of the management assist the President in his work and is accountable to the President, and perform the following duties with a clear division of labour: participate in the preparation of proposals, plans, reports and documents submitted by the President to the Board; responsible for organizing the implementation of annual business plan, investment plan, annual financial budget plan and final accounts assigned to him; and responsible for other matters assigned to him.



# CORPORATE GOVERNANCE

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

Firstly, the Board focused on research on the subject of principal business of metallurgical construction. Pursuant to the requirements of the national team for metallurgical construction, the Board innovated the cooperation model to strengthen the professional management personnel and metallurgical equipment and products, so as to extend our cooperation scope, bolstered the weakness in metallurgical equipment manufacturing of the Company, strengthened technology innovation in the principle business of metallurgical construction, and captured the market opportunities arising from the upgrading of iron and steel industry to accelerate the development of core technologies, and continuously improve the competitiveness and influence in terms of the scope of iron and steel engineering and equipment manufacturing technology for maintaining a leading position in the industry, and robustly expanding new technologies, new industries and new market, in order to increase the proportion of diversified business income.

Secondly, the Board strengthened investment management and control to cautiously prevent risks arising from PPP business. For the purpose of strengthening the management and control over the real estate development business, the Board strived to improve the investment management standard of real estate development business. High attention has been paid to the investment risks on PPP projects, the adjustment to policies and market changes. The Board strictly implemented the decision-making on proving and approval of the feasibility of PPP projects, improved supervision on the process of the projects to reduce the risks of the projects. In order to fulfill the requirements of the operation of the projects, the Board strengthened the reserves and training of operating talents.

Thirdly, the Board continued to devote its efforts to paying off and reducing the "accounts receivable and inventories" through a wide selection of initiatives, such as quantified management by way of classification, dynamic tracking and supervision, as well as strengthening the accountability mechanism and establishing the assessment accountability system. It improved asset quality and ensured the healthy development of the Company.

Fourthly, the Board strengthened capital management, solidified the consciousness of "placing priority on cash", and implemented management and control of cash flow from quarterly operations to further reduce financing costs, optimize financing structure and capital use, reduce interest-bearing liabilities and interest expenses, strengthen centralized management and control as well as unified dispatch of capital, and improve the efficiency in capital utilization. The Board paid close attention to the changes in interest rate and exchange rate to prevent capital risks.

Fifthly, the Board promoted the management of market value of the Company, stressed attention to the management of market value, adhered to its idea of market value management with improvement on its intrinsic value as the core and strengthened the sustainable capability and competitive capability of the Company.

Sixthly, the Board strengthened the overseas market expansion and building of an international talent team, and improved the management of localization capability to sufficiently arouse the internal and external initiative. The Board promoted the top-level design, optimized our systems and institutions, actively pushed forward its deployment in emerging market while developing its mature market. The Company improved innovation of products and technology, and accelerated the development of overseas business with multi-measures.

Seventhly, the Board carried out in-depth research on the layout of the regional companies and adhered to the market principle "Herd sheep on the grassland and catch fish at the fishing grounds" to ensure the setting up of regional companies is regulated and maximize the advantage of the regional companies.

## **(IV) Directors' Responsibilities on Relevant Financial Reports**

Directors are accountable to financial reports. When preparing the financial statements for the year ended 31 December 2018, Directors have chosen and applied appropriate accounting policies and made prudent and reasonable judgments and estimations to truly and fairly reflect the position, results and cash flow of the financial year. A statement made by the auditor of the Company on their reporting responsibilities is set out in the "Auditor's Report" on pages 134 of this annual report.

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

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

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

### **1. Strategy Committee**

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

During the Reporting Period, the Strategy Committee of the second session of the Board comprised three Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Jing Tianliang. Mr. Guo Wenqing served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered and approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the Strategy Committee of the third session of the Board comprises three Directors, namely Mr. Guo Wenqing, Mr. Zhang Zhaoxiang and Mr. Zhou Jichang. Mr. Guo Wenqing serves as the chairman.

During the Reporting Period, the Strategy Committee convened one on-site meeting in total, and all three committee members attended the meeting. It received reports in respect of rolling plan of the Company from 2018 to 2020.

# CORPORATE GOVERNANCE

## 2. Finance and Audit Committee

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

During the Reporting Period, the Finance and Audit Committee of the second session of the Board comprised 3 Directors, namely Mr. Chan Ka Keung Peter, Mr. Jing Tianliang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered and approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the Finance and Audit Committee of the third session of the Board comprises three Directors, namely Mr. Chan Ka Keung Peter, Mr. Zhou Jichang and Mr. Yu Hailong. Mr. Chan Ka Keung Peter serves as the chairman.

During the Reporting Period, the Finance and Audit Committee convened 7 meetings in total, considered and discussed 32 issues, considered relevant resolutions including various regular reports and final accounts, etc., discussed the employment of auditing institutions, communicated with external auditing institutions in respect of the audit and review of regular financial reports several times, completed the inspection of the Company's annual financial audit, gave conclusion and evaluation on the performance of external auditing institutions, and provided recommendations on reappointment. The Committee performed duties on internal control and risk management through listening to the audit work of internal auditing institutions, working plans of internal control and risk management, examination reports on internal control and risk management, and assessment reports on internal control, proposed clear requirements as to how to fully apply internal control and risk management on various areas, including the decision-making, management and operation of the Company, supervised the management of connected transactions of the Company, reviewed a list of affiliated persons/connected persons, reviewed annual caps for daily connected transactions/continuing connected transactions, reviewed non-daily connected transactions, audited issues including the utilization of raised proceeds, guarantee plans, and profit distribution and reviewed the feedback channels established by the Company. No whistle blowing materials in relation to relevant financial reports and internal supervision were received during the Reporting Period.

The attendance by each committee member at meetings is as follows:

<b>Name of Directors</b>	<b>Number of attendance required for the Directors</b>	<b>Number of meetings attended in person</b>
Chan Ka Keung Peter	7	7
Jing Tianliang	7	4
Yu Hailong	7	7



## 3. Nomination Committee

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

During the Reporting Period, the Nomination Committee of the second session of Board of the Company comprised 3 Directors, namely Mr. Ren Xudong, Mr. Guo Wenqing and Mr. Yu Hailong. Mr. Ren Xudong served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered and approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the members of the Nomination Committee of the third session of the Board remain unchanged.

During the Reporting Period, the Nomination Committee convened 2 meeting via teleconference in total, and all 3 committee members attended the meeting. It reviewed the resolutions in respect of appointing Yan Aizhong and Zeng Jianzhong as the Vice Presidents of the Company and Zhang Ye as the Vice President of the Company at the meeting. It listened to the reports of resolutions nominating the member of the third session of the Board of CMGC.

Nomination policy and diversity policy for the Board members:

In reviewing the structure of the Board, the Nomination Committee will consider the Board diversity from a number of aspects, including but not limited to cultural and educational background, professional experience, skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against criteria including talents, skills and experience as may be necessary for the operation of the Board as a whole, with a view to maintaining a sound balance of the Board's composition.

The Nomination Committee is of the view that nominated Independent Non-executive Directors of the third session of the Board have the basic knowledge of the operation of listed companies and the work experience necessary for performing duties of Independent Non-executive Directors. In particular: Mr. Zhou Jichang has the professional background and work experience in the aspects of municipal roads and communication construction for years, and the election of Mr. Zhou as an Independent Non-executive Director will supplement the professional background in the municipal construction and management of the members of the Board as municipal communication construction is one of the major businesses of the Company; Mr. Yu Hailong has years' work experience in foreign trade, energy saving and environmental protection and other industries, and he also excels at foreign investment and enterprise management, so the election of Mr. Yu as an Independent Non-executive Directors will supplement the professional background in the investment and management in relevant areas of the members of the Board; Mr. Ren Xudong has taken up management positions in the non-ferrous metals and minerals industries for a long time and has served as the deputy secretary of China Nonferrous Metals Industry Association, so the election of Mr. Ren as an Independent Non-executive Directors will supplement the professional background in the aspects of metallurgical construction, resource development and operation management of the members of the Board; Mr. Chan Ka Keung Peter is a member of Hong Kong Institute of Certified Public Accountants, and he has experience in finance, tax and investment advisory for over thirty years as well as deep understanding of the investment strategy for large international enterprises, so the election of Mr. Chen as an Independent Director will supplement the professional background in the aspects of finance management, tax management and foreign investment of the members of the Board.



# CORPORATE GOVERNANCE

The third session of the Board of the Company has extensive experience in transportation, energy conservation and environmental protection and other business segments, as well as with respect of investment management. The diversified composition of the third session of the Board is as follows:

	Position			Age	
	Executive Directors	Non-executive Director	Independent Non-executive Directors	50 to 59	60 to 69
	2	1	4	3	4
	Duration of directorship of the Company				
	0 to 3 years	4 to 6 years	7 to 10 years		
	1	5	1		

## 4. Remuneration and Appraisal Committee

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

During the Reporting Period, the Remuneration and Appraisal Committee of the second session of the Board of the Company comprised 3 Directors, namely Mr. Yu Hailong, Mr. Jing Tianliang and Mr. Ren Xudong. Mr. Yu Hailong served as the chairman. On 12 March 2019, the first meeting of the third session of the Board considered approved the Proposal on the Establishment of Special Committees under the Third Session of the Board and its Composition of Metallurgical Corporation of China Ltd., which stated that the Remuneration and Appraisal Committee of the third session of the Board comprises three Directors, namely Mr. Yu Hailong, Mr. Zhou Jichang and Mr. Ren Xudong. Mr. Yu Hailong serves as the chairman.

During the Reporting Period, the Remuneration and Appraisal Committee convened 2 meetings in total, both of which were held on site and all 3 committee members attended the meetings. Two issues were studied and discussed at the meetings, which involved relevant matters regarding the remuneration of Directors and Supervisors of the Company for the year 2017, and assessment of the performance of executive Directors, the remuneration plan of the senior management for the year 2017 and the distribution plans of incentive income during the term of office for the year 2015. During the Reporting Period, there was no change of Directors of the Company and no Directors' service contract that required approval.

## V. RISKS OF THE COMPANY IDENTIFIED BY THE SUPERVISORY COMMITTEE

### Performance of Duties by the Supervisory Committee

During the Reporting Period, the second session of the Supervisory Committee of the Company comprised three Supervisors, namely Yan Aizhong, Peng Haiqing and Shao Bo (an the employee representative Supervisor).

Two non-employee representative Supervisors for the third session of the Supervisory Committee were elected at the 2019 First Extraordinary General Meeting of the Company held on 12 March 2019, and one employee representative Supervisor was elected at the employee representative meeting held on 11 March 2019, who constituted the third session of the Supervisory Committee. Chairman of the Supervisory Committee was elected at the first meeting of the third session of the Supervisory Committee on 12 March 2019. The third session of the Supervisory Committee of the Company comprised three Supervisors with Cao Xiuyun as the Chairman, Zhang Yandi as a Supervisor and Chu Zhiqi as an employee representative Supervisor.

During the Reporting Period, the second session of the Supervisory Committee earnestly performed duties, attended all the Board meetings and reported the work of the Supervisory Committee to the general meetings in accordance with the requirements of the Articles of Association.

In the spirit of being accountable to all Shareholders, all Supervisors of the Company monitored the Company's financial condition, relevant matters regarding the non-public issuance of A Shares of the Company, internal control, related party/connected transactions, use of proceeds, as well as the legal compliance of Directors and senior management of the Company in performance of their duties.

During the Reporting Period, the Company's Supervisory Committee convened four meetings of the Supervisory Committee in total. It considered 16 proposals and received reports in respect thereof. The attendance by each Supervisor at meetings is as follows:

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

During the Reporting Period, the Supervisory Committee reviewed all previous regular reports required to be disclosed by the Company and earnestly studied final accounts and profit distribution plans of the Company for the year 2018, and supervised the internal control, a list of related parties/connected persons, as well as the utilization and change of relevant raised proceeds, paid continuous attention to assets or businesses which affected the operating results of the Company, and had no objections to the disposal measures and methods of the Board and management in respect of the assets or businesses.

## VI. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

# CORPORATE GOVERNANCE

## VII. FAILURE OF THE CONTROLLING SHAREHOLDER OF THE COMPANY IN ENSURING INDEPENDENCE AND MAINTAINING THEIR CAPACITY OF INDEPENDENT OPERATION IN TERMS OF BUSINESS, PERSONNEL, ASSETS, ORGANIZATION AND FINANCE

Applicable  Not applicable

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

Applicable  Not applicable

## VIII. AUDITING INSTITUTION AND ITS REMUNERATION

The Company appointed Deloitte Touche Tohmatsu (LLP) (“Deloitte Touche Tohmatsu”) as its annual auditors. In addition to the annual financial audit, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided part of its domestic subsidiaries with statutory financial audit services.

For details of the remuneration of independent auditors for the year 2018, please refer to “VI. Appointment and Dismissal of Accounting Firm” on page 67 of this report.

## IX. INFORMATION DISCLOSURE AND INVESTOR RELATIONS

In 2018, the Company seriously organized and completed the work of information disclosure in strict compliance with relevant requirements of regulatory authorities, such as the CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange. It made the information disclosure through statutory channels including designated newspapers and websites in a truthful, accurate, complete, timely and fair manner, according to the principle of simultaneous disclosure in both listed jurisdictions. In the meantime, the Company proactively maintained satisfactory relationship with investors, made every effort to build the image of the Company's capital market and increase the attention of the company's capital market, and further stepped up its efforts in communications with investors, analysts and financial media, in order to protect the legitimate rights and interests of investors, especially the small and medium investors. In 2018, the Company was awarded the “Outstanding Listed Companies during the 40 Years of Reform and Opening up” of China Securities Golden Bauhinia Awards, and “Chinese Innovative Enterprise Prize in the Top 100 Listed Companies” by Forum of Top 100 Listed Companies in China, “the Best Returned Investor” of the “Golden Wing Award” and “Leading Figure of HK Stocks Market Companies” of the “Golden Wing Award”.

1. On the basis of compliance disclosure, the Company constantly enhanced the validity of the information disclosed. In 2018, the Company conducted further communication with regulatory authorities and paid more efforts in studying and making reference to relevant rules, with extra focus on the study of disclosure for innovative business model. Living up with the pre-requisite of compliance disclosure, the Company sought for improving the readability and continuity of the information disclosed.

# CORPORATE GOVERNANCE

2. The Company stepped forward to initiate the communication with its investors and continuously innovated the communication method. The Company highly engaged in the market activities and continued to enhance the company's activeness in the market and influence of the Company. Guided by the Company's overall market investment value, the Company organized communication sessions on 2017 annual results and 2018 interim results in Beijing and Hong Kong, respectively, so as to strengthen the communication with multiple layers of the capital market on an on-going basis. Other than daily communication and contact with investors, analysts and the media, the Company maintained frequent and proactive communications. Throughout the year, the Company received a total of nearly 50 study visits of investor groups at home and abroad, and engaged in detailed communication with more than 300 investors from nearly 100 institutions in the secondary market via roadshow, visit, telephone meeting and other methods of communication. The Company convened a briefing session on cash dividends distribution via the Internet, enabling investors to gain comprehensive and deeper understanding in the specific details on the cash dividends distribution of the Company for 2017. The Company continuously innovated the communication method. In 2018, the Company broadcasted live videos on the result presentation meeting via multimedia, attended several meetings and forums and delivered speeches therein, as well as communicated effectively with multiple layers of investors in the capital market via a wide selection of promotion methods.
3. The Company actively studied changes of regulatory rules at home and abroad to continuously adapt to the new requirements of the A Shares' and H Shares' regulatory rules. It continued to disclose more voluntary announcements including newly signed contracts and provided additional disclosure on its emerging businesses, PPP projects, scientific achievements and industry operation information in its regular reports via market communication, which further improved the transparency of information disclosure of the Company. In 2018, the Company was rated Class A (the top class) Listed Company for SSE Information Disclosure.

## X. RIGHTS OF INVESTORS

To safeguard the statutory rights of Shareholders, Article 66 of the Articles of Association of the Company prescribes that the shareholders holding more than 10% of the Company's shares either independently or collectively may request an extraordinary general meeting in writing. Article 76 of the Articles of Association of the Company prescribes that the shareholders holding more than 3% of the Company's shares, either independently or collectively, are entitled to table a proposal to the Company in writing for the convening of the general meeting of the Company, and the Company shall include in the agenda those matters which are within the scope of duties of the general meeting. Shareholders holding more than 3% of the Company's shares, either independently or collectively, may submit a temporary proposal to the convener in writing 10 days prior to the convening of the general meeting. The Company set an exclusive session for communication with Shareholders at general meeting, during which Shareholders can raise their concerns and suggestions. Shareholders can also lodge their enquiries and suggestions through investor relations hotline (+86-10-5986-8666), or by fax (+86-10-5986-8999) or email (ir@mccchina.com).

## XI. COMPANY SECRETARIES

On 29 October 2018, Ms. Lai Siu Kuen resigned her position as joint company secretary. Ms. Ng Sau Mei was appointed as the joint company secretary of the Company in replacement of Ms. Lai. On 12 March 2019, the first meeting of the third session of the Board of the Company approved the Proposal on the Appointment of Secretary to the Board/Joint Company Secretary of Metallurgical Corporation of China Ltd., and appointed Mr. Zeng Gang as the secretary to the Board of the Company and one of the joint company secretaries in replacement of Ms. Li Yuzhuo. Mr. Zeng Gang and Ms. Ng Sau Mei were appointed as joint company secretaries upon consideration and approval by the Board of the Company. Mr. Zeng Gang is the main internal contact person between Ms. Ng Sau Mei and the Company.

For details of profile of Mr. Zeng Gang, please refer to page 107 of this report.

The profile of Ms. Ng Sau Mei is set as below: Ms. Ng Sau Mei is an associate director of the listing services department of TMF Hong Kong Limited, with over 17 years of professional and in-house working experience in the company secretarial field. Ms. Ng Sau Mei is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

For the purpose of complying with Rule 3.29 of the Hong Kong Listing Rules, the company secretaries attended relevant professional training for not less than 15 hours for the year ended 31 December 2018.



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

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

## XIII. INTERNAL CONTROL AND SELF-EVALUATION REPORT

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

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

The Company regularly conducts identification, evaluation and corresponding actions for risks. The Company seriously analyzes its situation within the industry on the basis of the study and judgement of the general domestic and international macro-economic situation annually and conducts relevant actions to the risk management by phases according to the strategic objective and control requirements. Risk identification stage: pursuant to the requirements of the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》) (Guo Zi Fa Gai Ge [2006] No. 108), the Company organized all functional departments and subsidiaries to collect relevant information on risks systematically on an on-going basis. In accordance with the risk categorization framework of the SASAC and the normative requirements of internal guidance on risk management, the Company conducted risk identification and reorganization procedures to identify internal and external risks affecting operating targets, analyzed the cause of risks and possible impacts case by case, and specified the departments-in-charge. Risk evaluation stage: pursuant to the actual situation of risk management, quantitative assessments and qualitative assessments, the Company classified risks into three levels based on the "importance and urgency of risk management", namely highly important (red), close attention (yellow) and controllable risks (green). The Company organized each of the department-in-charge to evaluate the impact of different types of risks on the realization of the overall objectives of the Company and preliminarily determined the classification of risk management, with extra attention paid to material risks. Risk responding stage: the Company duly formulated risks responding measures in response to routine risks, which include: risk prevention, risk confrontation, risk mitigation and risk transformation. In terms of material risks, solutions to material risks were prepared and the Company had assigned respective departments-in-charge; effective and practicable risk management and control measures have been duly formulated upon thorough analysis on the source, cause, possible impact and corresponding strategies of material risks. Material risks tracking stage: pursuant to the requirement of the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》), by way of the implementation of risk management and the effective tracking of material risks on a regular basis, the Company timely adjusted the solutions to material risks or contingency plans on crisis management, allocated resources accordingly, specified work procedures, assigned persons-in-charge and set deadline, so as to ensure the effective implementation of such solutions or plans.

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The main features of risk management and internal control system are as follows: pursuant to regulatory requirements, the Company implemented the Basic Standards for Corporate Internal Control (《企業內部控制基本規範》) and its accompanying guidelines since 2011. Based on the Guideline on Comprehensive Risk Management for State Enterprises (《中央企業全面風險管理指引》) published by the SASAC, the Company established the framework at company level and business level by integrating the risk management and internal control systems. Under the framework, through preparing risk control matrix to establish the relationship of mutual mapping between key risk and control, the Company implemented the risk identification, evaluation and corresponding control measures to various internal business processes in the enterprise in order to achieve the organic integration between risk management and internal control, significantly improving the capabilities of risk prevention and control of the enterprise and providing effectiveness to the management of the enterprise.

The Company attaches great importance to the effective operation of the internal control system: the Company divides the internal control system into three levels including fundamental management system, specific regulations/administrative measures and implementation guidelines pursuant to the established main body, levels involved and the scope of limitations. The effectiveness of the regulations and systems are evaluated annually and would be established, amended and abolished pursuant to the evaluation results and according to the regulatory requirements and development needs of the Company to formulate the annual development plan of the system. Meanwhile, comparing the logical relationship between the requirements in the framework of internal control and the system of the Company, the regulations and systems of the Company are divided according to business categories in order to program and standardize the management of the regulations and systems of the Company, thus safeguarding the compliance operation and strategic development of the Company.

The Company places heavy emphasis on dynamic monitoring of risk management. According to internal and external changes of the Company, the Company analyzed the collected risk information, evaluated various risks which might create possibilities of impacts on and loss to the operation procedures of the Company, timely identified and systematically analyzed the relevant risks between the operating activities and implementation of internal control targets, and reasonably determined the risk tolerance of the Company and corresponding strategies for the risks. The Company paid special attention to the control of significant risks and formulated risk management measures by refining solutions, and deeply analyzing the source of significant risks, reasons of the risks, possible impact and corresponding strategies to be taken in respect of the significant risks evaluated.

The Board assesses at least annually the effectiveness of the risk management and internal monitoring and control systems of the Company and comes to a complete inspection conclusion in the current year. The procedures of reviewing the effectiveness of risk management and internal control systems includes: formulating the plan for evaluation of work, forming evaluation team, implementing on-site testing, identifying control defects, aggregating evaluation results and compiling evaluation reports, etc. The Company authorizes the audit department to be responsible for specific implementation of the evaluation of internal control. After a comprehensive analysis of internal control defects, the Company gives opinions, and makes a final confirmation in accordance with the scope of authority and procedures after review, and classifies the defects as significant defects, important defects and general defects based on the level of impact. The confirmation proposed will be presented to the Board and operation meeting in the form of written report, and the significant defects will be finally confirmed by the Board.

The procedures for making up severe deficiencies of the internal control system: for the identified significant defects and important defects, MCC will promptly adopt corresponding strategies to effectively control the risks within a bearable level and pursue the liabilities of the relevant department or personnel.

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

MCC has established an internal audit function which analyzes and independently evaluates the adequacy and effectiveness of the risk management and internal monitoring and control systems of the Company and reports to the Board the results at least once a year. MCC has, in practice, started the inspection and rectification of internal control and risk management pursuant to the plan on evaluation of work and standard of evaluation in order to ensure the defects are rectified properly. Meanwhile, the subsidiaries are required to conduct half-year and annual self-evaluation and special evaluation work in order to provide the base for the issue of internal control evaluation report. The review period of risk management and internal control system covered is from 1 January 2018 to 31 December 2018.

# CORPORATE GOVERNANCE

For the year ended 31 December 2018, the Board has inspected the effectiveness of the internal monitoring and control and risk management systems of the Company to ensure that the management maintained and managed a well-functioning system based on the control procedures and standards. The Board has confirmed that there is no significant defect of internal control in the financial report existed in the internal control for 2018, and no significant defect of internal control has been discovered in the non-financial report. According to the inspection and assessment results of internal control of the Company, the risk management and internal monitoring and control of the Company is effective and is able to fulfill the internal control objectives.

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

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

## XIV. RELEVANT EXPLANATIONS ON THE AUDIT REPORT OF INTERNAL CONTROL

Deloitte Touche Tohmatsu has issued the internal control audit report for the Company and is of the opinion that as at 31 December 2018, the Company maintained an effective internal control over its financial report in all material aspects pursuant to the Basic Standards for Enterprise Internal Control (《企業內部控制基本規範》) and relevant requirements.

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

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

## XV. CHANGE IN THE ARTICLES OF ASSOCIATION

In order to implement the spirit of Sixth Plenary Session of 18th Central Committee of Communist Party of China and Party Building Work Conference of National State-owned Enterprises so as to integrate the reinforcement of leadership of the Party with the improvement of corporate governance, the Company intended to add relevant articles in relation to Party building in the Articles of Association. In accordance with the latest requirements under Guidelines on Articles of Association of Listed Companies, with an aim of further safeguarding the interests of minority investors whilst improving corporate governance, and taking into account the actual situation of the Company, the Company added specific arrangements on accumulative voting system in the Articles of Association and made minor amendments to certain articles. For details, please refer to the shareholders' circular issued by the Company on 11 May 2018. Such amendments were approved by the shareholders at the 2017 annual general meeting held on 26 June 2018.



# CORPORATE BONDS

## I. BASIC INFORMATION ON CORPORATE BONDS

With the purpose of reducing the Company's financing costs and optimizing capital structure, the Company issued the following corporate bonds. All public issuances conducted by the Company were all listed on a stock exchange. Corporate bonds that had not yet expired as at the date of approval of this report are set out as below:

*Unit: RMB100 million*

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interest	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 interest shall be charged on such postponed period)	27	4.99	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. 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	SSE
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 interest shall be charged on such postponed period)	20	4.98	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. 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	SSE
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 interest shall be charged on such postponed period)	20	5.10	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. 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	SSE



# CORPORATE BONDS

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interest	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 interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. 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	SSE
2017 Corporate Bonds (First Tranche) under the Public Issuance	17 MCC 01	144361	24 October 2017 to 25 October 2017	25 October 2022	5.7	4.99	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	SSE
2018 Corporate Bonds (First Tranche) under the Public Issuance	18 MCC 01	143634	7 May 2018 to 8 May 2018	8 May 2021	8.7	4.78	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	SSE
	18 MCC 02	143635		8 May 2023	2.2	4.98		

## Payment of interest principal amount of corporate bonds

As of the date of disclosure of this annual report, the interest on 2017 Renewable Corporate Bonds (First Tranche) was paid on 1 March 2019, the interest on 2017 Renewable Corporate Bonds (Second Tranche) was paid on 13 March 2019, the interest on 2017 Renewable Corporate Bonds (Third Tranche) was paid on 11 July 2018, the interest on 2017 Renewable Corporate Bonds (Fourth Tranche) was paid on 30 July 2018, and the interest on 2017 Corporate Bonds (First Tranche) under the Public Issuance was paid on 25 October 2018.

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

## Other explanation on corporate bonds

2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche), 2017 Renewable Corporate Bonds (Fourth Tranche), 2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 Corporate Bonds (First Tranche) under the Public Issuance are all targeted to qualified investors through public issuance.

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

Bond trustee	Name	China Merchants Securities Co., Ltd.
	Office address	7th Floor, North Building, Financial Street Centre, No. 9 Financial Street, Xicheng District, Beijing, PRC
	Contact persons	Zhang Hao, Yang Dong and Zhang Jiayu
	Contact No.	010-60840906
Credit ranking institution	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	Anji Building, No. 760 Tibet South Road, Huangpu District, Shanghai, PRC

## III. USE OF PROCEEDS OF CORPORATE BONDS

As of the date of disclosure of this annual report, proceeds from 2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche), 2017 Renewable Corporate Bonds (Fourth Tranche), 2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 Corporate Bonds (First Tranche) under the Public Issuance have been utilized. The balance of the special account for the proceeds was nil as at the end of the Reporting Period. The use of the entire proceeds of the corporate bonds of the Company is in line with the intended use, plan of use and other purposes as stipulated in the prospectuses.

The deposit and use of the proceeds from corporate bonds have been implemented pursuant to the “Special Account for Proceeds and Special Repayment Account Agreement” entered into between the regulatory bank and the bond trustee. The use of proceeds is in line with the relevant undertakings provided in the prospectus, the account for proceeds is operating under governance, and the withdrawal and use of proceeds from each tranche have complied with the approval formalities of the Company.

## IV. RANKING OF CORPORATE BONDS

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

According to the credit ranking report (Xin Ping Wei Han Zi [2017] No. G457-1) issued by China Chengxin Securities Rating Co., Ltd. on 9 October 2017, "2017 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company was ranked AAA with stable outlook. The ranking of indebtedness for the period is AAA.

According to the credit ranking report (Xin Ping Wei Han Zi [2018] No. G195-F2) issued by China Chengxin Securities Rating Co., Ltd. on 23 April 2018, "2018 Corporate Bonds (First Tranche) 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 existing.

China Chengxin Securities Rating Co., Ltd. is expected to conduct the follow-up and ranking of the Company and its indebtedness after the disclosure of this report, and will disclose the follow-up and ranking report on the website of Shanghai Stock Exchange within two months after the disclosure of this 2018 annual report of the Company to inform investors in this regard.

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

As of the date of approval of this annual report, the Company did not establish any credit enhancement mechanism for corporate bonds, and the debt repayment plans and other debt repayment protective measures for corporate bonds of the Company were in line with the provisions and relevant undertakings provided in the prospectuses and there was no change in the abovementioned.

## **VI. CONVENTION OF CORPORATE BONDHOLDERS' MEETINGS**

Since the issuance date of corporate bonds and up to the date of approval of this annual report, there were no matters that fall within the scope of authority of the bondholders' meetings of the Company. As such, no bondholders' meetings were convened by the bond trustee.

## **VII. PERFORMANCE OF DUTIES OF THE TRUSTEE OF CORPORATE BONDS**

China Merchants Securities Co., Ltd. is the bond trustee of corporate bonds "17 MCC Y1", "17 MCC Y3", "17 MCC Y5", "17 MCC Y7", "17 MCC 01", "18 MCC 01" and "18 MCC 02". As stipulated under the "Bond Trustee Agreement" entered into between the Company and China Merchants Securities Co., Ltd. upon the declaration of each of such corporate bonds, such company performed its relevant duties as a bond trustee.

The bond trustee of corporate bonds "17 MCC Y1", "17 MCC Y3", "17 MCC Y5", "17 MCC Y7", "17 MCC 01", "18 MCC 01" and "18 MCC 02" is expected to issue 2018 trustee reports in relation to respective corporate bonds on the website of Shanghai Stock Exchange before 30 June 2019. Investors shall pay attention to it.

### VIII. ACCOUNTING INFORMATION AND FINANCIAL INDICATORS OF THE COMPANY FOR THE LATEST TWO YEARS PRECEDING THE END OF THE REPORTING PERIOD

Unit: RMB'000

Major Indicators	2018	2017	Increase/decrease as compared to the same period of last year
EBITDA	<b>16,989,311</b>	15,126,395	12.32%
Current Ratio	<b>1.14</b>	1.15	Decreased by 0.01 percentage point
Quick Ratio	<b>0.72</b>	0.73	Decreased by 0.01 percentage point
Asset-liability Ratio (%)	<b>76.61</b>	76.52	Increased by 0.09 percentage point
EBITDA/Total Liabilities	<b>0.05</b>	0.05	–
Interest Protection Multiples	<b>2.30</b>	2.48	Decreased by 0.18 percentage point
Cash Dividend Protection Multiples	<b>3.66</b>	5.47	Decreased by 1.81 percentage points
EBITDA/Interest Protection Multiples	<b>2.78</b>	3.10	Decreased by 0.32 percentage point
Loan Repayment Ratio (%)	<b>100</b>	100	–
Interest Payment Ratio (%)	<b>100</b>	100	–

Note: Asset-liability ratio = Total liabilities/total assets × 100%

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

During the Reporting Period, in addition to corporate bonds, the Company was also 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 interest and principal.

### X. CREDIT FACILITIES OBTAINED FROM BANKS BY THE COMPANY DURING THE REPORTING PERIOD

The Company maintained good long-term relationship with banks and other financial institutions and obtained credit facilities with relatively greater amount, and had relatively stronger ability in indirect debt financing. As at the end of the Reporting Period, the Company obtained a total of RMB476.0 billion from various financial institutions, of which RMB164.8 billion were utilized and RMB311.2 billion were unutilized.

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

### XI. IMPLEMENTATION OF RELEVANT PROVISIONS OR UNDERTAKINGS MADE BY THE COMPANY IN THE CORPORATE BOND PROSPECTUS DURING THE REPORTING PERIOD

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

### XII. SIGNIFICANT EVENTS OF THE COMPANY AND THEIR IMPACTS ON THE OPERATING CONDITION AND SOLVENCY OF THE COMPANY

During the Reporting Period, the Company did not have any significant events as indicated under Article 45 of the Administrative Measures for Issuing and Trading Corporate Bonds.



# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## I. AUDITOR'S REPORT

Applicable       Not Applicable

De Shi Bao (Shen) Zi (19) No. P00659

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

#### 1. Opinion

We have audited the attached financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprise the consolidated and Company's balance sheet as at 31 December 2018, and the consolidated and Company's income statement, the consolidated and Company's cash flow statements and the consolidated and Company's statements of changes in shareholders' equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements of the Company present fairly, in all material respects, the consolidated and Company's financial position as at 31 December 2018, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

#### 2. Basis for Opinion

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

#### 3. Key Audit Matters

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

##### *(1) Recognition of revenue from engineering contracting service contracts*

###### Description

Refer to Note V 23 and Note V 27(5)(b)(i) in the financial statements, for the engineering contracting services contracts in which a performance obligation is satisfied during a period of time, the Group determines the progress of performance by using input method, namely, determines the progress of performance based on the proportion of the accumulative costs incurred accounting for the expected total costs. The management needs to make reasonable estimates on the transaction price of the engineering contracting service contracts (estimated total revenues) and the expected total costs to further determine the progress toward satisfaction of a performance obligation. The estimates should be evaluated and updated on a regular basis during the execution of the contracts. We therefore identified it as a key audit matter as recognition of revenue from engineering contracting service contracts involves significant accounting estimates of the management.

## I. AUDITOR'S REPORT (CONTINUED)

### 3. Key Audit Matters (Continued)

#### (1) *Recognition of revenue from engineering contracting service contracts (Continued)*

##### How our audit addressed the key audit matter

Our audit procedures in relation to recognition of revenue from engineering contracting service contracts mainly included:

- (a) We tested the internal controls related to the engineering contracting service contract budget and revenue recognition;
- (b) We obtained the ledger of engineering contracting service contracts and selected samples to review whether the management had made correct judgements on identifying the contract, identifying single performance obligation, determining the transaction price and other aspects. We recalculated the accuracy of the progress of performance of engineering contracting service contracts;
- (c) We selected samples of engineering contracting service contracts and inspected the contracts and budget information on which the transaction price (estimated total revenues) and expected total costs were based, and evaluated whether the management had made reasonable estimates on transaction price (estimated total revenues) and expected total costs;
- (d) We selected samples to test the cost of performance of contracts incurred in the current year, and
- (e) We selected a sample of engineering contracting service contracts to inspect the progress of construction project on site, confirmed the degree of completion with project management department, compared with the progress of performance recorded in the Group's ledger, and performed further review procedures for the unusual difference.

#### (2) *Impairment of accounts receivable and contract assets*

##### Description

As stated in Note V 10(2) and Note V 27(5)(b)(ii) to the financial statements, the provision for impairment of accounts receivable and contract assets recognised by MCC is based on expected credit losses. The management evaluates expected credit losses by considering all reasonable and supportable historical and forward-looking information available. We therefore identified the impairment of accounts receivable and contract assets as a key audit matter as it involves significant accounting estimates and judgements of the management.

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## I. AUDITOR'S REPORT (CONTINUED)

### 3. Key Audit Matters (Continued)

#### (2) *Impairment of accounts receivable and contract assets (Continued)*

How our audit addressed the key audit matter

Our audit procedures in relation to the impairment of accounts receivable and contract assets mainly included:

- (a) We tested the internal controls related to the daily management and evaluation for impairment of accounts receivable and contract assets;
- (b) We reviewed the management's considerations and objective evidence related to expected credit losses of accounts receivable and contract assets;
- (c) We selected samples of accounts receivable and contract assets for which expected credit losses assessed on an individual basis, and reviewed the basis and reasonableness of the management's estimate on the cash flows expected to receive, and
- (d) For accounts receivable and contract assets for which expected credit losses assessed on a collective basis, we reviewed and evaluated the appropriateness of the ECL model used by the management, and the rationality of the proportion of the provision for impairment losses which are made by the management relying upon the historical credit loss experience and forward-looking information.

### 4. Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the 2018 annual report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

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

## I. AUDITOR'S REPORT (CONTINUED)

### 5. Responsibilities of Directors and Those Charged with Governance for the Financial Statements (Continued)

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## I. AUDITOR'S REPORT (CONTINUED)

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

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

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

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

Deloitte Touche Tohmatsu CPA LLP.  
Shanghai, China

*Chinese Certified Public Accountants:*

**Ma Yan Mei**  
*(Engagement Partner)*  
**Chen Wen Long**  
29 March 2019

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

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

31 December 2018

All amounts in RMB'000

Items	Notes	31 December 2018	31 December 2017
<b>Current Assets:</b>			
Cash and bank balances	VII1	44,477,302	43,593,622
Financial assets held for trading	VII2	1,124,150	–
Financial assets at fair value through profit or loss		–	151,451
Derivative financial assets	VII3	2,365	–
Bills and accounts receivable	VII4	87,394,440	94,253,008
Prepayments	VII5	20,285,773	19,230,005
Other receivables	VII6	56,385,242	41,399,402
Inventories	VII7	57,608,321	118,292,878
Contract assets	VII8	66,719,549	–
Non-current assets due within one year	VII9	3,498,610	2,171,927
Other current assets	VII10	1,924,819	3,236,652
<b>Total Current Assets</b>		<b>339,420,571</b>	<b>322,328,945</b>
<b>Non-current Assets:</b>			
Available-for-sale financial assets		–	4,410,495
Long-term receivables	VII11	21,620,682	23,541,178
Long-term equity investments	VII12	13,854,855	8,916,066
Investments in other equity instruments	VII13	1,867,964	–
Other non-current financial assets	VII14	4,214,624	–
Investment properties	VII15	5,392,133	3,386,116
Fixed assets	VII16	27,370,040	28,603,498
Construction in progress	VII17	3,379,971	2,891,030
Intangible assets	VII18	16,133,729	15,419,183
Goodwill	VII19	163,179	164,282
Long-term prepayments	VII20	269,670	296,022
Deferred tax assets	VII21	5,152,432	4,585,699
Other non-current assets	VII22	75,993	22,660
<b>Total Non-current Assets</b>		<b>99,495,272</b>	<b>92,236,229</b>
<b>TOTAL ASSETS</b>		<b>438,915,843</b>	<b>414,565,174</b>
<b>Current Liabilities:</b>			
Short-term borrowings	VII23	47,809,316	39,425,855
Derivative financial liabilities	VII24	496	–
Bills and accounts payable	VII25	141,011,898	139,831,143
Receipts in advance	VII26	191,783	43,861,424
Contract liabilities	VII27	58,918,293	–
Employee benefits payable	VII28	1,958,161	1,974,696
Taxes payable	VII29	3,794,064	3,428,721
Other payables	VII30	23,835,766	26,832,037
Non-current liabilities due within one year	VII31	14,654,211	18,423,908
Other current liabilities	VII32	4,890,947	6,357,400
<b>Total Current Liabilities</b>		<b>297,064,935</b>	<b>280,135,184</b>

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED BALANCE SHEET (CONTINUED)

31 December 2018

All amounts in RMB'000

Items	Notes	31 December 2018	31 December 2017
<b>Non-current Liabilities:</b>			
Long-term borrowings	VII33	23,793,236	23,470,743
Bonds payable	VII34	8,512,091	7,086,675
Long-term payables	VII35	1,180,520	1,271,398
Long-term employee benefits payable	VII36	3,496,853	3,554,213
Provisions	VII37	861,739	270,472
Deferred income	VII38	1,211,038	1,271,973
Deferred tax liabilities	VII21	111,387	184,035
Other non-current liabilities	VII39	14,600	–
<b>Total Non-current Liabilities</b>		<b>39,181,464</b>	37,109,509
<b>TOTAL LIABILITIES</b>		<b>336,246,399</b>	317,244,693
<b>Shareholders' Equity:</b>			
Share capital	VII40	20,723,619	20,723,619
Other equity instruments	VII41	15,924,290	17,884,240
Including: Perpetual bond		15,924,290	17,884,240
Capital reserve	VII42	22,492,676	22,527,667
Other comprehensive income	VII43	(212,142)	5,218
Special reserve	VII44	12,550	12,550
Surplus reserve	VII45	1,455,419	1,338,615
Retained earnings	VII46	23,546,950	20,007,920
Total shareholders' equity attributable to shareholders of the Company		83,943,362	82,499,829
Non-controlling interests		18,726,082	14,820,652
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>102,669,444</b>	97,320,481
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>438,915,843</b>	414,565,174

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

Legal Representative:  
Guo Wenqing

General Accountant:  
Zou Hongying

Financial Controller:  
Fan Wanzhu

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S BALANCE SHEET 31 December 2018

All amounts in RMB'000

Items	Notes	31 December 2018	31 December 2017
<b>Current Assets:</b>			
Cash and bank balances	XVI1	2,523,125	4,658,892
Bills and accounts receivable	XVI2	318,972	588,374
Prepayments		421,651	234,413
Other receivables	XVI3	37,484,465	29,402,072
Inventories		998	421,130
Contract assets		1,039,354	–
Non-current assets due within one year	XVI4	1,357,037	1,277,037
Other current assets		–	44
<b>Total Current Assets</b>		<b>43,145,602</b>	36,581,962
<b>Non-current Assets:</b>			
Available-for-sale financial assets		–	231
Other equity instrument investments		212	–
Long-term receivables	XVI4	1,723,980	4,150,983
Long-term equity investments	XVI5	87,862,027	85,841,681
Fixed assets		12,755	13,005
Intangible assets		8,777	10,113
<b>Total Non-current Assets</b>		<b>89,607,751</b>	90,016,013
<b>TOTAL ASSETS</b>		<b>132,753,353</b>	126,597,975
<b>Current Liabilities:</b>			
Short-term borrowings	XVI6	28,228,645	20,310,515
Bills and accounts payable		941,091	865,246
Receipts in advance		–	948,899
Contract liabilities		1,068,383	–
Employee benefits payable		13,276	10,753
Taxes payable		57,306	58,010
Other payables	XVI7	14,236,401	14,604,588
Non-current liabilities due within one year	XVI8	2,034,272	5,997,291
<b>Total Current Liabilities</b>		<b>46,579,374</b>	42,795,302



# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

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

31 December 2018

All amounts in RMB'000

Items	Notes	31 December 2018	31 December 2017
<b>Non-current Liabilities:</b>			
Long-term borrowings	XVI9	5,875,000	1,250,000
Bonds payable	VII34	1,660,000	570,000
Long-term payables		300,000	378,980
Long-term employee benefits payable		17,915	18,366
Provisions		128,054	–
Deferred income		4,411	4,411
<b>Total Non-current Liabilities</b>		<b>7,985,380</b>	2,221,757
<b>TOTAL LIABILITIES</b>		<b>54,564,754</b>	45,017,059
<b>Shareholders' Equity:</b>			
Share capital		20,723,619	20,723,619
Other equity instruments	VII41	15,924,290	17,884,240
Including: Perpetual bond		15,924,290	17,884,240
Capital reserve		38,001,042	38,041,092
Other comprehensive income		609	718
Special reserve		12,550	12,550
Surplus reserve		1,455,419	1,338,615
Retained earnings		2,071,070	3,580,082
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>78,188,599</b>	81,580,916
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>132,753,353</b>	126,597,975

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

Legal Representative:  
Guo Wenqing

General Accountant:  
Zou Hongying

Financial Controller:  
Fan Wanzhu

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2018

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>I Total operating revenue</b>		<b>289,534,523</b>	243,999,864
Including: Operating revenue	VII47	<b>289,534,523</b>	243,999,864
<b>II Total operating costs</b>		<b>280,483,556</b>	236,069,186
Including: Operating costs	VII47	<b>253,121,966</b>	212,052,305
Taxes and levies	VII48	<b>2,412,583</b>	2,109,021
Selling expenses	VII49	<b>2,108,541</b>	1,961,287
Administrative expenses	VII50	<b>8,569,093</b>	7,681,869
Research and development expenses	VII51	<b>7,182,666</b>	5,336,045
Financial expenses	VII52	<b>3,252,219</b>	3,020,031
Including: Interest expenses		<b>4,525,732</b>	3,156,235
Interest income		<b>2,063,982</b>	1,001,059
Impairment losses of assets	VII53	<b>1,165,150</b>	3,908,628
Impairment losses of credit	VII54	<b>2,671,338</b>	–
Add: Other income	VII55	<b>237,653</b>	200,336
Investment income	VII56	<b>375,980</b>	548,870
Including: Gains from investments in associates and joint ventures		<b>1,857</b>	48,309
Gains from changes in fair values	VII57	<b>28,999</b>	222
Gains on disposal of assets	VII58	<b>138,415</b>	99,013
<b>III Operating profit</b>		<b>9,832,014</b>	8,779,119
Add: Non-operating income	VII59	<b>449,866</b>	438,636
Less: Non-operating expenses	VII60	<b>757,436</b>	243,069
<b>IV Total profit</b>		<b>9,524,444</b>	8,974,686
Less: Income tax expenses	VII61	<b>1,953,837</b>	2,262,832
<b>V Net profit</b>		<b>7,570,607</b>	6,711,854
(I) Net profit classified by operating continuity			
Net profit from continuing operations		<b>7,570,607</b>	6,711,854
Net profit from discontinued operations		–	–
(II) Net profit classified by ownership ascription			
Net profit attributable to shareholders of the Company		<b>6,371,580</b>	6,061,488
Profit or loss attributable to non-controlling interests		<b>1,199,027</b>	650,366

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the year ended 31 December 2018

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>VI Other comprehensive income, net of income tax</b>			
	VII62	<b>(64,288)</b>	(173,761)
Other comprehensive income attributable to shareholders of the Company, net of income tax		<b>(134,606)</b>	(183,839)
(I) Items that will not be reclassified to profit or loss		<b>(342,483)</b>	(157,365)
1. Re-measurement of defined benefit obligations		<b>(193,430)</b>	(157,365)
2. Changes in fair values of investments in other equity instruments		<b>(149,053)</b>	–
(II) Items that may be reclassified to profit or loss		<b>207,877</b>	(26,474)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		<b>(4)</b>	(546)
2. Net gain (loss) on revaluation of available-for-sale financial assets		–	12,762
3. Exchange differences on translating financial statements in foreign currencies		<b>207,881</b>	(38,690)
Other comprehensive income attributable to non-controlling interests, net of income tax		<b>70,318</b>	10,078
<b>VII Total comprehensive income</b>		<b>7,506,319</b>	6,538,093
Total comprehensive income attributable to shareholders of the Company		<b>6,236,974</b>	5,877,649
Total comprehensive income attributable to non-controlling interests		<b>1,269,345</b>	660,444
<b>VIII Earnings per share</b>	XV3		
(I) Basic earnings per share (RMB/share)		<b>0.26</b>	0.26
(II) Diluted earnings per share (RMB/share)		<b>Not Applicable</b>	Not Applicable

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S INCOME STATEMENT

For the year ended 31 December 2018

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>I Operating revenue</b>	XVI10	<b>5,031,043</b>	4,091,867
Less: Operating costs	XVI10	<b>5,021,605</b>	3,706,520
Taxes and levies		<b>3,240</b>	12,853
Administrative expenses		<b>243,573</b>	239,924
Research and development expenses		–	1,520
Financial expenses		<b>766,445</b>	181,563
Including: Interest expenses		<b>1,756,918</b>	1,460,604
Interest income		<b>1,518,546</b>	1,243,270
Impairment losses of assets		–	(37,497)
Impairment losses of credit	XVI11	<b>57,592</b>	–
Add: Investment income	XVI12	<b>2,239,335</b>	2,381,864
Including: Gain from investments in associates and joint ventures		<b>12,108</b>	2,462
Gains from disposal of assets		<b>1,787</b>	–
<b>II Operating profit</b>		<b>1,179,710</b>	2,368,848
Add: Non-operating income		<b>5</b>	21,498
Less: Non-operating expenses		<b>63</b>	594
<b>III Total profit</b>		<b>1,179,652</b>	2,389,752
Less: Income tax expenses		<b>11,618</b>	10,114
<b>IV Net profit</b>		<b>1,168,034</b>	2,379,638
Net profit from continuing operations		<b>1,168,034</b>	2,379,638
Net profit from discontinued operations		–	–
<b>V Other comprehensive income, net of income tax</b>		<b>(109)</b>	(747)
(I) Items that will not be reclassified subsequently to profit or loss		<b>(109)</b>	(747)
1. Changes in re-measurement of defined benefit obligations		<b>(90)</b>	(747)
2. Changes in fair value of other equity instrument investment		<b>(19)</b>	–
<b>VI Total comprehensive income</b>		<b>1,167,925</b>	2,378,891

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**



# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2018

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>I Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		296,479,742	237,894,018
Receipts of tax refunds		1,029,955	347,587
Other cash receipts relating to operating activities	VII63(1)	3,496,184	8,349,356
Sub-total of cash inflows from operating activities		301,005,881	246,590,961
Cash payments for goods purchased and services received		243,128,693	190,193,057
Cash payments to and on behalf of employees		21,383,791	18,821,926
Payments of various types of taxes		10,438,345	9,786,848
Other cash payments relating to operating activities	VII63(2)	12,005,082	9,371,283
Sub-total of cash outflows from operating activities		286,955,911	228,173,114
<b>Net Cash Flows from Operating Activities</b>	VII64(1)	<b>14,049,970</b>	18,417,847
<b>II Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		77,338	38,438
Cash receipts from investment income		228,007	129,347
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		403,612	230,743
Net cash receipts from disposal of subsidiaries and other business units	VII64(2)	40,679	29,078
Other cash receipts relating to investing activities	VII62(3)	1,266,874	365,362
Sub-total of cash inflows from investing activities		2,016,510	792,968
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,595,208	4,079,368
Cash payments to acquire investments		7,855,463	5,388,055
Other cash payments relating to investing activities	VII63(4)	303,286	9,607,508
Sub-total of cash outflows from investing activities		13,753,957	19,074,931
<b>Net Cash Flows from Investing Activities</b>		<b>(11,737,447)</b>	(18,281,963)

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

For the year ended 31 December 2018

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>III Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		6,378,367	10,239,690
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		3,378,367	2,240,400
Cash receipts from issue of perpetual bond		3,000,000	7,999,290
Cash receipts from borrowings		116,770,275	84,850,314
Sub-total of cash inflows from financing activities		123,148,642	95,090,004
Cash repayments of borrowings		110,431,072	88,931,933
Cash payments for distribution of dividends or profits or settlement of interest expenses		9,174,007	6,957,762
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		614,516	473,312
Other cash payments relating to financing activities	VII63(5)	9,473,746	1,300,645
Sub-total of cash outflows from financing activities		129,078,825	97,190,340
<b>Net Cash Flows from Financing Activities</b>		<b>(5,930,183)</b>	<b>(2,100,336)</b>
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		304,528	(283,325)
<b>V Net Decrease in Cash and Cash Equivalents</b>			
Add: Opening balance of Cash and Cash equivalents		36,464,134	38,711,911
<b>VI Closing Balance of Cash and Cash Equivalents</b>	VII64(3)	<b>33,151,002</b>	36,464,134

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S CASH FLOW STATEMENT

For the year ended 31 December 2018

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>I Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		5,020,517	4,737,089
Receipts of tax refunds		–	1,439
Other cash receipts relating to operating activities		244,563	261,746
Sub-total of cash inflows from operating activities		5,265,080	5,000,274
Cash payments for goods purchased and services received		5,181,041	3,867,718
Cash payments to and on behalf of employees		153,606	145,830
Payments of various types of taxes		58,862	67,752
Other cash payments relating to operating activities		136,945	131,928
Sub-total of cash outflows from operating activities		5,530,454	4,213,228
<b>Net Cash Flows from Operating Activities</b>	XVI13(1)	<b>(265,374)</b>	787,046
<b>II Cash Flows from Investing Activities:</b>			
Cash receipts from recovery of investments		–	12,000
Cash receipts from investment income		1,916,159	4,277,057
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		4,557	–
Other cash receipts relating to investing activities		–	236
Sub-total of cash inflows from investing activities		1,920,716	4,289,293
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		5,843	7,674
Cash payments to acquire investments		2,316,313	5,162,330
Other cash payments relating to investing activities		4,504,563	3,004,937
Sub-total of cash outflows from investing activities		6,826,719	8,174,941
<b>Net Cash Flows from Investing Activities</b>		<b>(4,906,003)</b>	(3,885,648)

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

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

For the year ended 31 December 2018

All amounts in RMB'000

Items	Notes	Amount for the current year	Amount for the prior year
<b>III Cash Flows from Financing Activities:</b>			
Cash receipts from investments		3,000,000	7,999,290
Including: Cash receipts from issue of perpetual bond		3,000,000	7,999,290
Cash receipts from borrowings		89,873,122	44,432,363
Other cash receipts relating to financing activities		—	1,048
		92,873,122	52,432,701
Sub-total of cash inflows from financing activities			
Cash repayments of borrowings		80,732,948	49,174,292
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,106,302	3,181,878
Other cash payments relating to financing activities	VII63(5)	5,000,000	—
		89,839,250	52,356,170
Sub-total of cash outflows from financing activities			
<b>Net Cash Flows from Financing Activities</b>		<b>3,033,872</b>	76,531
<b>IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>		<b>1,250</b>	(21,966)
<b>V Net Decrease in Cash and Cash Equivalents</b>		<b>(2,136,255)</b>	(3,044,037)
Add: Opening balance of Cash and Cash equivalents		4,648,065	7,692,102
<b>VI Closing Balance of Cash and Cash Equivalents</b>	XVI13(3)	<b>2,511,810</b>	4,648,065

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**



# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2018								
	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
<b>I Closing balance of the preceding year</b>	20,723,619	17,884,240	22,527,667	5,218	12,550	1,338,615	20,007,920	14,820,652	97,320,481
Add: Changes in accounting policies (Note 1/28)	-	-	-	(95,032)	-	-	(143,226)	(33,626)	(271,884)
Corrections of prior years errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	17,884,240	22,527,667	(89,814)	12,550	1,338,615	19,864,694	14,787,026	97,048,597
<b>III Changes for the year</b>	-	(1,959,950)	(34,991)	(122,328)	-	116,804	3,682,256	3,939,056	5,620,847
(I) Total comprehensive income	-	-	-	(134,606)	-	-	6,371,580	1,269,345	7,506,319
(II) Shareholders' contributions and reduction in capital	-	(1,959,950)	(34,991)	-	-	-	-	3,284,227	1,289,286
1. Capital contribution from owners	-	-	-	-	-	-	-	81,977	81,977
2. Capital contribution and reduction of holders of other equity instruments	-	(1,959,950)	(40,050)	-	-	-	-	3,296,390	1,296,390
3. Others	-	-	5,059	-	-	-	-	(94,140)	(89,081)
(III) Profit distribution	-	-	-	-	-	116,804	(2,677,046)	(614,516)	(3,174,758)
1. Transfer to surplus reserve	-	-	-	-	-	116,804	(116,804)	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,560,242)	(614,516)	(3,174,758)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	12,278	-	-	(12,278)	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings (Note VI/13)	-	-	-	12,278	-	-	(12,278)	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	3,617,390	-	-	265,829	3,883,219
2. Amount utilized in the current year	-	-	-	-	(3,617,390)	-	-	(265,829)	(3,883,219)
(VI) Others	-	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	20,723,619	15,924,290	22,492,676	(212,142)	12,550	1,455,419	23,546,950	18,726,082	102,669,444

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

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

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

### THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the year ended 31 December 2018							
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
<b>I Closing balance of the preceding year</b>	20,723,619	17,884,240	38,041,092	718	12,550	1,338,615	3,580,082	81,580,916
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	17,884,240	38,041,092	718	12,550	1,338,615	3,580,082	81,580,916
<b>III Changes for the year</b>	-	(1,959,950)	(40,050)	(109)	-	116,804	(1,509,012)	(3,392,317)
(I) Total comprehensive income	-	-	-	(109)	-	-	1,168,034	1,167,925
(II) Shareholders' contributions and reduction in capital	-	(1,959,950)	(40,050)	-	-	-	-	(2,000,000)
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	(1,959,950)	(40,050)	-	-	-	-	(2,000,000)
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	116,804	(2,677,046)	(2,560,242)
1. Transfer to surplus reserve	-	-	-	-	-	116,804	(116,804)	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,560,242)	(2,560,242)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-
2. Amount utilized in the current year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	20,723,619	15,924,290	38,001,042	609	12,550	1,455,419	2,071,070	78,188,599

# FINANCIAL STATEMENTS

For the year ended 31 December 2018

## II. FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

Items	For the year ended 31 December 2017							
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
<b>I Closing balance of the preceding year</b>	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior years errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II Opening balance of the current year</b>	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
<b>III Changes for the year</b>	-	7,999,290	-	(747)	-	237,964	122,166	8,358,673
(I) Total comprehensive income	-	-	-	(747)	-	-	2,379,638	2,378,891
(II) Shareholders' contributions and reduction in capital	-	7,999,290	-	-	-	-	-	7,999,290
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	7,999,290	-	-	-	-	-	7,999,290
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	237,964	(2,257,472)	(2,019,508)
1. Transfer to surplus reserve	-	-	-	-	-	237,964	(237,964)	-
2. Distributions to shareholders	-	-	-	-	-	-	(2,019,508)	(2,019,508)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current year	-	-	-	-	-	-	-	-
2. Amount utilized in the current year	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV Closing balance of the current year</b>	<u>20,723,619</u>	<u>17,884,240</u>	<u>38,041,092</u>	<u>718</u>	<u>12,550</u>	<u>1,338,615</u>	<u>3,580,082</u>	<u>81,580,916</u>

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

Legal Representative:  
**Guo Wenqing**

General Accountant:  
**Zou Hongying**

Financial Controller:  
**Fan Wanzhu**



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## III. BASIC CORPORATE INFORMATION

### 1. Basic information of the Company

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

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

In October 2018, CMGC purchased the structure adjusting funds for central enterprises at a consideration of 3% shares it held in the Company. The proportion of shareholding and voting upon the Company decreased from 59.18% to 56.18% subsequent to the completion of purchase and CMGC is still the controlling shareholder of the Company.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## III. BASIC CORPORATE INFORMATION (CONTINUED)

### 1. Basic information of the Company (Continued)

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

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 29 March 2019.

### 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)*.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IV. BASIS OF PREPARATION (CONTINUED)

### 2. Accrual basis and measurement principle

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

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

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

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

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly;

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

### 3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 31 December 2018 and does not identify any significant doubtful matter or event on the going concern. As such, these financial statements have been prepared on a going concern basis.

## V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 1. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 31 December 2018 and consolidated and the Company's operating results and cash flows for the year then ended.

### 2. Accounting period

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

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

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

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

### 7. Classification of joint arrangement and accounting methods for joint management

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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 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 and 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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

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

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

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

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

### 10. Financial instruments

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

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

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

##### (a) Categorized into financial assets measured at amortized cost

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

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

##### – Effective interest method and amortized cost

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

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

- (b) Categorized into financial assets at fair value through other comprehensive income (“FVTOCI”)

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

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

The Group does not have financial assets measured FVIOCI.

- (c) Categorized into financial assets at fair value through profit or loss (“FVTPL”)

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

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

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

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

The Group’s financial assets measured at FVTPL include monetary funds, tradable equity instrument investments, investments in private funds and derivatives classified as financial assets, which are presented under the items “tradable financial assets”, “other non-current financial assets” and “derivative financial assets” in the balance sheet. The Group has no financial assets designated as at FVTPL.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

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

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

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

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

#### (2) Impairment of financial instruments

The Group shall recognize an impairment loss for expected credit losses on a financial asset measured at amortized cost, a contract asset and a financial guarantee contract.

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

For other financial instruments, the Group assesses changes in credit risks of the relevant financial instruments since initial recognition at each balance sheet date. If the credit loss of the financial instruments has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instruments at an amount in the future 12-month expected credit losses. The increased or reversed amount of credit is recognized in profit or loss as impairment loss or gain. The Group has makes a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

#### (2) Impairment of financial instruments (Continued)

##### (a) Significant increase of credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. For financial guarantee contracts, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable undertaking as the initial confirmation date.

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

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

At balance sheet date, if the Group judges that the financial instruments solely has lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. If the risk of default on financial instruments is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have a lower credit risk.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

#### (2) Impairment of financial instruments (Continued)

##### (b) Credit-impaired financial assets

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

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

##### (c) Determination of expected credit loss

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

- For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a financial guarantee contract, the credit loss is the present value of the differences between estimated amount paid by the Group for the credit losses incurred by the contract holder and the amount the Group expects to receive from the contract holder, the debtor or any other party;
- For a financial asset with credit-impaired at the balance sheet date, but not purchased or originated credit-impaired, a credit losses is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

#### (2) *Impairment of financial instruments (Continued)*

- (d) Write-down of financial assets

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

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

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

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

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

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivatives classified as financial liabilities) and those designated as at FVTPL.

Financial liabilities meet one of the following conditions, indicating that the Group's purpose of undertaking the financial liabilities is transactional:

- The purpose of undertaking relevant financial liabilities is mainly for the recent repurchase;
- The relevant financial liabilities are part of the centrally managed identifiable financial instrument portfolio at initial recognition, and there is objective evidence that there is a short-term profits will presence in the near future;
- Related financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments.

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

The Group's financial liabilities measured at FVTPL are derivatives classified as financial liabilities which are presented as " derivative financial liabilities " in the balance sheet.

##### (b) Other financial liabilities

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

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

##### (c) Financial guarantee contracts

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder suffering losses in case the specific debtor fails to settle the debt in accordance with the initial or revised terms of debt instrument when the debt falls due. After initial recognition, the Group measure financial guarantee contracts at the higher of: (i) amount of loss allowance; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with related terms of Standards for Revenue.

#### (5) *Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

#### (6) *Equity instruments*

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

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

#### (7) *Derivatives*

Derivatives of the Group include Forward contract of foreign exchange settlement and sale and USD foreign exchange option. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. Changes are recognized in current profit or loss.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 10. Financial instruments (Continued)

#### (8) *Offsetting financial assets and financial liabilities*

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

### 11. Inventories

#### (1) *Categories of inventories and initial measurement*

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, material procurement, outsourced processing materials, work in progress, finished goods, materials in transit, costs to fulfil a contract, properties under development, completed properties held for sale etc.

#### (2) *Valuation method of inventories upon delivery*

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 11. Inventories (Continued)

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

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

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

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

### 12. Long-term equity investments

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

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

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

#### (1) *Determination of investment cost*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

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

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

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

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note V18).

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 13. Investment properties

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

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

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

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

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

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

The difference between recoverable amounts of the investment properties under the carrying amount is referred to as impairment loss (Note V18).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 14. Fixed assets

#### (1) Recognition criteria for fixed assets

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

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

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

#### (2) Depreciation of each category of fixed assets

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 14. Fixed assets (Continued)

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

If all the risk and reward of ownership of the assets under finance lease are in substance transferred to the Group, the historical cost of the fixed asset held under finance lease is determined at the lower of the fair value of the assets and the present value of the minimum lease payments. The difference between the initial cost of the fixed asset held under finance lease and the minimum lease payments is referred to as unrecognized finance costs (Note V26(2)).

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

#### (4) *Other explanations*

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

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

### 15. Construction in progress

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

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

### 16. Borrowing costs

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 16. Borrowing costs (Continued)

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

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

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

### 17. Intangible assets

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

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

#### (a) Land use rights

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

#### (b) Mining rights

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

#### (c) The right to use the franchise

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 17. Intangible assets (Continued)

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

##### (c) The right to use the franchise (Continued)

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

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

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

##### (d) Software

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

##### (e) Patent and proprietary technologies

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

##### (f) 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 V18).

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 17. Intangible assets (Continued)

#### (2) Research and development expenditure (Continued)

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

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

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

### 18. Impairment of long-term assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 19. Long-term prepayments

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

### 20. Employee benefits

#### (1) Short-term employee benefits

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

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

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

#### (2) Post-employment benefits

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 20. Employee benefits (Continued)

#### (3) Termination benefits

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

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

### 21. Provisions

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 22. Perpetual bonds or other financial instruments

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

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

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

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

### 23. Revenue

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 23. Revenue (Continued)

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

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

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

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

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

##### (a) **Variable consideration**

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 23. Revenue (Continued)

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

##### (b) A significant financing component

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

##### (c) Consideration payable to a customer

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

##### (d) Non-cash consideration

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 23. Revenue (Continued)

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

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

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

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

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 23. Revenue (Continued)

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

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

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

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

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

#### (5) Accounting treatment of specific transaction

##### (a) Sales attached with quality warranty terms

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

##### (b) A principal or an agent

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 23. Revenue (Continued)

#### (6) Contract costs

##### (a) Costs of obtaining a contract

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

##### (b) Costs to fulfil a contract

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

##### (c) Amortization of the related assets of contract costs

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

##### (d) Impairment of the related assets of contract costs

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

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

#### (7) Contract asset and contract liability

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Please refer to Note V10(2) for accounting policies on impairment of contract asset. The Group's right of unconditional (i.e. solely depending on the passage of time) collection of consideration from the customer shall be separately set out as receivables.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 24. Government grants

Government grants are transferred of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to it and the grant will be received.

If a government grant takes the form of a monetary asset, it is measured at the amount received or receivable. If a government grant takes the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period. Government grants received by the Group related to routine activities are recognized in other income or as reductions in the related costs and expenses according to the economic nature of business; whereas government grants received by the Group other than those related to routine activities are recognized in non-operating income.

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 24. Government grants (Continued)

#### (3) Interest subsidy received under policy loans

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

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

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

### 25. Deferred tax assets/deferred tax liabilities

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

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

### 26. Leases

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

#### (1) Operating leases

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

#### (2) Finance leases

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

#### (3) Sale and lease back

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

### 27. Other significant accounting policies and accounting estimates

#### (1) Distribution of profit

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

#### (2) Production safety expenses

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

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current year, and provided as a fund in the special reserve. When the expenditures are utilized, they should be offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized as construction in progress. When the assets are ready for their intended use, a same amount should be offset against the special reserve and recorded as accumulated depreciation at the same time. The related fixed asset is not subject to any further depreciation in the subsequent periods.

#### (3) Segment information

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

#### (4) Discontinued operation

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

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

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

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

The Group review the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current year, the influence amount is recognized in the current year. If the changes of accounting estimates affect both of the current year and the future period, the influence amount is recognized in the current year and the future period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

##### (a) Important judgments in applying accounting policies

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

##### (i) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V22 to be recorded as equity instrument. Details are set out in Note VII41.

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

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

##### (i) Progress of performance of engineering construction contracts

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

##### (ii) Credit loss provision

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

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

##### (ii) Credit loss provision (Continued)

As at 31 December 2018, the net book value of the Group's accounts receivable is RMB66,958,297,000 (As at 31 December 2017: RMB73,495,762,000), from which the provision for bad debts of RMB13,410,428,000 has been deducted (As at 31 December 2017: RMB13,206,219,000), refer to Note VII 4(3) for details. The net book value of the Group's contract assets amounted to RMB66,719,549,000, from which the provision for impairment losses of RMB2,871,540,000 has been deducted, please refer to Note VII 8(1) for details.

##### (iii) Useful lives and residual values of fixed assets

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

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

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

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

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 14.12% to 17.33% for the reporting period (for the year ended 31 December 2017: 12.46% to 17.33%).

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

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

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

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

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

##### (v) Tax

The Company and its subsidiaries are subject to income taxes and other taxes in numerous jurisdictions in domestic provinces and certain overseas countries. The ultimate tax effect of many transactions has uncertainty during normal business activities. The Group shall make significant judgment on current year income tax and land appreciation tax provisions in different areas and districts. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current year income tax provisions in the periods in which the differences arise.

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

##### (vi) Retirement benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

### 28. Changes in significant accounting policies and accounting estimates

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

<u>Content and Reason of Changes in Accounting Policies</u>	<u>Approval Procedures</u>	<u>Remarks</u>
<p><u>Effect of New Standards for Revenue on the Group</u></p> <p>The Group has adopted the New Standards for Revenue modified by the MoF in 2017 since 1 January 2018. The New Standards for Revenue have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). The accounting policies for recognition and measurement of revenue is referred to Note V23. The New Standards for Revenue require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. At the adoption of New Standards for Revenue, the Group solely adjusts the cumulative affected figures in contract not yet been completed at the initial adoption date. For changes in contract incurred before the beginning of adoption of New Standards for Revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.</p> <p>The Group sometimes respectively signs several contracts including design, purchase and construction with customers to provide Engineering Procurement Construction service. Prior to the implementation of New Standards for Revenue, the Group respectively recognized revenues on the basis of individually signed contract; after the implementation of the new standards, the Group determines if the commitments to transfer of goods or services to the customer in these contracts constitute a stand-alone performance obligation based on the contract terms, if so, the Group shall combine these contracts into one contract and recognize revenue at fulfilling a stand-alone performance obligation. Prior to implementation of New Standards for Revenue, the Group recognized revenues on survey and design service contracts by using the percentage of completion; after the implementation of New Standards for Revenue, because the terms of some survey and design service contracts are not met the conditions which performance obligations satisfy during a period of time, the Group shall recognize revenue at a point in time when the customer obtains control over relevant goods or services.</p>	N/A	None

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

Content and Reason of Changes in Accounting Policies				Approval Procedures	Remarks	
<u>Effect of New Standards for Revenue on the Group (Continued)</u>						
(a) Besides provision of more wide disclosures of revenue transactions, effects of implementation of New Standards for Revenue on relevant items of balance sheet at the beginning of the current period are as follows:						
<i>RMB '000</i>						
Item	31 December 2017	Reclassification	Re- measurement	1 January 2018		
Current assets:					N/A	None
Bills and accounts receivable	94,253,008	(2,595,699)	(84,313)	91,572,996		
Inventories	118,292,878	(63,817,992)	23,042	54,497,928		
Contract assets	-	66,413,691	(37,350)	66,376,341		
Current liabilities:						
Receipts in advance	43,861,424	(43,804,433)	-	56,991		
Contract liability	-	43,804,433	176,585	43,981,018		
Taxes payable	3,428,721	-	(3,322)	3,425,399		
Shareholder's equity						
Retained earnings	20,007,920	-	(238,258)	19,769,662		
Non-controlling interests	14,820,652	-	(33,626)	14,787,026		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
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#### Effect of New Standards for Revenue on the Group (Continued)

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

#### Balance Sheet

RMB '000

Items	31 December 2018 under New Standards for Revenue	Adjustment	31 December 2018 under Former Standards for Revenue	N/A	None
Current assets:					
Bills and accounts receivable	87,394,440	4,536,950	91,931,390		
Inventories	57,608,321	62,151,888	119,760,209		
Contract assets	66,719,549	(66,719,549)	-		
Current liabilities:					
Receipts in advance	191,783	58,801,974	58,993,757		
Contract liability	58,918,293	(58,918,293)	-		
Taxes payable	3,794,064	3,498	3,797,562		
Shareholder's equity					
Retained earnings	23,546,950	54,344	23,601,294		
Non-controlling interests	18,726,082	27,766	18,753,848		



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
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#### Effect of New Standards for Revenue on the Group (Continued)

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

#### Income Statements

RMB '000

Items	Current period under New Standards for Revenue	Adjustment	Current period under Former Standards for Revenue	N/A	None
Operating income	289,534,523	(207,484)	289,327,039		
Operating costs	280,483,556	(99,272)	280,384,284		
Sales expenses	2,108,541	90,294	2,198,835		
Income tax expenses	1,953,837	(8,732)	1,945,105		
Net profit	7,570,607	(189,774)	7,380,833		
Including: Profit or loss attributable to non-controlling interests	1,199,027	(5,860)	1,193,167		
Net profit attributable to shareholders of the Company	6,371,580	(183,914)	6,187,666		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

<u>Content and Reason of Changes in Accounting Policies</u>	<u>Approval Procedures</u>	<u>Remarks</u>
<u>Effect of New Standards for Revenue on the Group (Continued)</u>		
<p>The Group pursuant to the Accounting Standards for Business Enterprises No. 22 – <i>Financial Instrument: Recognition and Measurement</i>, Accounting Standards for Business Enterprises No. 23 – <i>Transfer of Financial Assets</i>, Accounting Standards for Business Enterprises No. 24 – <i>Hedging Accounting and Accounting Standards for Business Enterprises No. 37 – Financial Instrument: Presentation</i> (hereinafter referred to as “New Standards for Financial Instruments”, the standards for financial instrument before modification are referred to as “original standards for financial instrument”) modified by the MoF from 1 January 2018. The accounting policies for details of the change of the Group’s accounting policies is referred to Note V10.</p>		
<p>For classification and measurement of financial assets, the New Standards for Financial Instruments requires that the financial assets should be classified into three categories: “financial assets measured at amortized cost”, “financial assets at fair value through other comprehensive income (“FVTOCI”)” and “financial assets at fair value through profit or loss (“FVTPL”)” based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial assets have been cancelled. Investments in equity instrument are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable equity instrument investments as financial assets measured at FVTOCI, but such designation is non-cancellable, and when the financial assets are derecognized, the cumulative amounts of changes in fair value previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in retained earnings.</p>	N/A	None

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

<u>Content and Reason of Changes in Accounting Policies</u>	<u>Approval Procedures</u>	<u>Remarks</u>
<u>Effect of New Standards for Revenue on the Group (Continued)</u>		
<p>For impairment of financial instruments, the New Standards for Financial Instruments on impairment are applicable to financial assets measured at amortized cost and at FVTOCI, contract assets and the specific but not withdrawn loan commitment and financial guarantee contract. New Standards for Financial Instruments requires adoption of expected credit loss model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. For the accounts receivable and contract assets, the Group shall use simplified method that depending on whether it contains significant financing requirements or is allowed to recognize impairment allowance for the expected credit loss during the whole life.</p>	N/A	None
<p>If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the New Standards for Financial Instruments, the Group will make connection and adjustment as required by the new standards. In case of inconsistency between the comparative figures in financial statements in prior period and requirements of the new standards, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognized in retained earnings or other comprehensive income at 1 January 2018. Effects on adoption of New Standards for Financial Instruments at 1 January 2018 are as follows.</p>		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

Content and Reason of Changes in Accounting Policies			Approval Procedures	Remarks	
<u>Effect of New Standards for Revenue on the Group (Continued)</u>					
Summary of effects on initial implementation of New Standards for Financial Instruments since 1 January 2018					
<i>RMB '000</i>					
		Effects on implementation of New Standards for Financial Instruments			
		Reclassification			
Items	31 December 2017	Total effects on implementation of new standards for financial instruments	Transferred from financial assets formerly classified as held-for-sale	Transferred from financial assets formerly classified as FVTPL	Impairment losses of other equity instrument investment recognized in prior period transferred from retained earnings to other comprehensive income
					1 January 2018
Financial assets at fair value through profit or loss	151,451	(151,451)	-	(151,451)	-
Financial assets held for trading	-	151,451	-	151,451	151,451
Held-for-sale financial assets	4,410,495	(4,410,495)	(4,410,495)	-	-
Other equity instrument investment	-	2,026,098	2,026,098	-	2,026,098
Other non-current financial assets	-	2,384,397	2,384,397	-	2,384,397
Other comprehensive income	5,218	(95,032)	-	-	(89,814)
Retained profits	20,007,920	95,032	-	-	20,102,952

N/A

None

*Note 1:* On January 1, 2018, held for sale financial assets of RMB2,026,098,000 were reclassified to other equity instrument investments which are non-tradable investments of equity instruments and are not expected to be sold by the Group in the foreseeable future, and the held-for-sale financial assets of RMB2,384,397,000 were reclassified to other non-current financial assets.

*Note 2:* After deducting the effect of deferred income tax and minority shareholders' rights and interests, the impairment losses of RMB95,032,000 recognized by the Group for investments in non-trading equity instruments in the previous period were transferred from retained earnings to other comprehensive earnings (changes in the fair value of investment in other equity instruments) on January 1, 2018.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks				
Effect of New Standards for Revenue on the Group (Continued)						
As at 1 January 2018, the effects of the Group's initial implementation of the New Standards for Revenue and financial instruments on its assets, liabilities and shareholders' equity are listed as below:						
	<i>RMB '000</i>					
Items	31 December 2017	Effects on implementation of New Standards for Revenue	Effects on implementation of New Standards for Financial Instruments	1 January 2018		
Financial assets at fair value through profit or loss	151,451	-	(151,451)	-	N/A	None
Financial assets held for trading	-	-	151,451	151,451		
Bills receivable and accounts receivable	94,253,008	(2,680,012)	-	91,572,996		
Inventories	118,292,878	(63,794,950)	-	54,497,928		
Contract assets	-	66,376,341	-	66,376,341		
Held-for-sale financial assets	4,410,495	-	(4,410,495)	-		
Other equity instrument investment	-	-	2,026,098	2,026,098		
Other non-current financial assets	-	-	2,384,397	2,384,397		
<b>Total effect on assets</b>	217,107,832	(98,621)	-	217,009,211		
Receipts in advance	43,861,424	(43,804,433)	-	56,991		
Contract liabilities	-	43,981,018	-	43,981,018		
Taxes payable	3,428,721	(3,322)	-	3,425,399		
<b>Total effect on liabilities</b>	47,290,145	173,263	-	47,463,408		
Other comprehensive income	5,218	-	(95,032)	(89,814)		
Retained profits	20,007,920	(238,258)	95,032	19,864,694		
Non-controlling interests	14,820,652	(33,626)	-	14,787,026		
<b>Total effect on shareholders' equity</b>	34,833,790	(271,884)	-	34,561,906		

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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

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

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

<u>Content and Reason of Changes in Accounting Policies</u>	<u>Approval Procedures</u>	<u>Remarks</u>
<p><u>Effect of the revised format of financial statements on the Group</u></p> <p>The financial statements have been prepared by the Group in accordance with the <i>Notice of the Revised Format of Financial Statements for General Business Enterprise in 2018</i> (Cai Kuai (2018) No. 15, hereinafter referred to as the "Cai Kuai No.15 Document") released by the MoF on 15 June 2018. Cai Kuai No.15 Document revised the presentation items on the balance sheet and the income statement, which are as follows: add the line items of "bills and accounts receivable", "bills and accounts payable", "research and development expenses"; revise the presentation of "other receivables", "fixed assets", "construction in progress", "other payables", "long-term payables" and "administrative expenses"; less the line items of "bills receivable", "accounts receivable", "dividends receivable", "interest receivables", "disposals of fixed Assets", "materials for construction of fixed assets", "bills payables", "accounts payables", "interest payables", "dividends payable" and "special payables"; add the line items of including: interest expenses" and "interest income" under the item of "financial expenses"; and adjust the presentation location of certain items in the income statements. For changes of the presentation items stated above, the Group restate the comparable data of the prior year in the financial statements for comparable periods.</p>	N/A	None

#### (2) Changes in significant accounting estimates

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION

### 1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	VAT payable (VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current year)	3%, 5%, 6%, 10%, 11%, 16% and 17% ( <i>Note</i> )
City maintenance and construction tax ("CCT")	Payment for VAT and consumption tax	1%, 5%, 7%
Education surcharges	Payment for VAT and consumption tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

*Note:* According to the *Circular on Adjustment of Value-added Tax Rate* ("Caishui [2018] No. 32") issued by the MoF and the State Administration of Taxation, business originally applicable to the VAT rate of 17% and 11% will be applicable to the rate of 16% and 10% respectively since 1 May 2018.

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

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

Subject of tax payment	Enterprise income tax rate
China ENFI Congo (DRC) Co. Ltd.	40%
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
ENFI Zambia Ltd.	35%
China 19 MCC Group Corporation Ltd. (formerly known as "China 19th Metallurgical Corporation Namibia Limited")	35%
MCC International Venezuelan Ltd.	34%
China ENFI (Namibia) Ltd.	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	33%
China First Metallurgical India (Private) Ltd.	32.45%
CISDI India Ltd.	31%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Australia (Brisbane) Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
China First Metallurgical Construction Malaysia Co., Ltd.	28%
China Enfei (Chile) SAS	25.5%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Construction Engineering (Malaysia) Co., Ltd.	24%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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
Shanghai Baoye (Malaysia) Co., Ltd.	24%
CCEPC Malaysia BHD	24%
MCC-CISDI Engenharia do Brisa Ltd.	20%
MCC Tian Gong (Kampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Thailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
China Metallurgical International (Kampuchea) Co., Ltd.	20%
Shanghai Baoye (Kampuchea) Co., Ltd.	20%
China Nineteen Metallurgical Group Vietnam Co., Ltd.	20%
China Jingye Engineering Corporation Ltd. (Singapore Branch)	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
MCC Real Estate Tampines Co., Ltd.	17%
China MCC International Economic and Trade (Hong Kong) Co., Ltd.	16.5%
MCC Hong Kong Overseas Ltd.	16.5%
Nan Hua International Engineering Ltd.	16.5%
Xiong Hui Investment Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	16.5%
Chinese Metallurgical Engineering Technology (Hong Kong) Co., Ltd.	16.5%
MCC-CISDI Engenharia do Brisa Ltd.	15%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Operation Co., Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	10%
MCC Vietnam Engineering and Technology Company Ltd.	10%
CISDI Engineering(America) Co., Ltd.	10%
MCC 20 Indonesia Construction Co., Ltd. (formerly known as: "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%



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION (CONTINUED)

### 2. Tax incentive

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

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

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- (c) Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Engineering Co., Ltd., CISDI Equipment Co., Ltd. (formerly known as "Chongqing CISDI Heavy Industry Equipment Co., Ltd."), MCC Xi'an Electric Furnace Institute Co., Ltd. and ENFI New Energy (Zhongwei) Co., Ltd. have been levied at a preferential tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., and China Metallurgical Construction Engineering Group Chongqing Steel Structure Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2020.
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2020.
- (f) MCC Chongqing Real Estate Development Co., Ltd., China Metallurgical Construction Engineering (Ningxia) Co., Ltd., CISDI Chongqing Environmental Consulting Co., Ltd. and MCC (Guizhou) Construction Investment Development Co., Ltd. are levied at preferential tax rate of 15% from 2017 to 2020.
- (g) CISDI Technology Research Center Co., Ltd., CISDI Architectural & Municipal Design Co., Ltd., Tibet China Metallurgical Construction Co., Ltd. are levied at preferential tax rate of 15% from 2018 to 2020.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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) 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., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Metallurgical Construction Research Institute (Shenzhen) Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 20 Group Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. and Tianjin Xinbin Engineering Technology Detection Co., Ltd. have been levied at a preferential tax rate of 15% from 2016 to 2018.
- (b) Shanghai Baoye Engineering Technology Corp., Ltd., Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 5 Group Co., Ltd., China First Metallurgical Group Co., Ltd., Beijing ENFI Environmental Protection Co., Ltd., Beijing ENFI Environmental Protection Technology Co., Ltd., MCC Huatian Engineering & Technology(Nanjing) Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Communication Construction Group Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Thermotechnical Co., Ltd. (formerly known as "WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd."), WISDRI Engineering & Research Incorporation Limited, WISDRI City Environment Protection Engineering Co., Ltd. (formerly known as: "China City Environment Protection Engineering Co., Ltd."), WISDRI (Wuhan) Informatology Engineering Co., Ltd., Shen Kan Engineering & Technology Corporation, MCC, Central Research Institute of Building and Construction Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC Huatian Energy Conservation Environmental Protection Research Institute Co., Ltd., Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Seric Graphic Mdt Info Tech Ltd., CERI Long Product Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., CERI Eco Technology Co., Ltd., CERI Technology Co., Ltd., MCC Capital Engineering & Research Incorporation Limited, CERI Manufacturing Executive & Managing System Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., China ENFI Engineering Corporation, China silicon Co., Ltd. and Panzhihua Tianyu Engineering Detection Co., Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

- (c) Hunan Hetian Engineering Project Management Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd. (formerly known as: "MCC Continuous Casting Technology Engineering Co., Ltd."), CISDI Engineering Co., Ltd., Shanghai Baoye Group Co., Ltd., Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC, MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technology Services Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing New Vision Building Construction Technology Co., Ltd., Beijing Metallurgical Equipment Research Design Institute Co., Ltd., China MCC 19 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, MCC (Beijing) Transportation Science and Technology Development Co., Ltd., Beijing Jinwei Soldering Material Co., Ltd., Ma'anshan MCC 17 Engineering Science & Technology Co., Ltd., CERI Colin Environmental Protection Technology Co., Ltd., MCC Shenkan (Qinhuangdao) Engineering Design Research Institute Limited, Beijing Zhongshe Water Treatment Co., Ltd., Hebei Guopeng building materials Co., Ltd., MCC Huatian Baotou Design Research Institute Limited, MCC Chengdu Reconnaissance and Research Institute Limited have been levied at a preferential tax rate of 15% from 2018 to 2020.

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

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

Companies including Liuan Water Corporation MCC, Ma'anshan Water Corporation, MCC, Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., MCC Xuancheng Water Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. are qualified for a preferential tax policy that from the tax year when the enterprise has obtained the first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted.

Among them, the preferential policy of Liuan Water Corporation MCC and Ma'anshan Water Corporation, MCC has come into effect in 2014 and the applicable tax rate for the current period was 12.5%. The preferential policy of Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd. and MCC Xuancheng Water Co., Ltd. have come into effect in 2015 and the applicable tax rate for the current period was 12.5%. Fuzhou City Changle District MCC Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. have come into effect in 2016 and the applicable tax rate for the current period was 0%.

- (b) According to the Item 3 of Article 27 of *the Law of the People's Republic of China on Enterprise Income Tax as well as Article 87 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*, following examination and approval by the tax authorities, Ejina Ken ENFI New Energy Limited has enjoyed the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax 50%-reduction" since 2017. Therefore, the applicable tax rate for this period was 0%.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

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

Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects. Each project is subject to income tax independently, and shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from its production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

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

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

- (e) According to the relevant regulation of *the Notice of the Ministry of Finance and the State Administration of Taxation on Further Expanding the Scope of Preferential Income Tax Policies for Small Low-Profit Enterprises* ("Cai Shui [2018] No.77"), the Article 28 of *the Law of the People's Republic of China on Enterprise Income Tax* and the Article 92 of *the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*:

Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Jingqiu Energy saving Technology Development Co., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Chongqing MCC Property Management Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Dalian China Metallurgical jiaonai dragon Instrument Co., Ltd., Chongqing Tuoye Construction Engineering Quality Inspection Co., Ltd., North Chixiao Modular House (Langfang) Co., Ltd., Shanghai Baosteel MCC 5 Dedusting Equipment Co.,Ltd., MCC 5 Group Shanghai Yuanzhu New Building Materials Co.,Ltd., China MCC International Economic and Trade (Beijing) Co., Ltd., MCC Real Estate Service Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited, CERI Seric Graphic Mdt Info Tech Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai Baoding Environmental Engineering Technology Service Co., Ltd., Shanghai Longxing Structural Engineering Co., Ltd., Shanghai Baoshan Jiangyuan Training Center and Qingdao MCC Mingqin Real Estate Co., Ltd. met the standards of Small and Low-Profit Enterprises for 2018, enjoyed 50% reduction of income tax and their applicable enterprises income tax rate was 20%.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

- (f) According to the circular Guoshui [2009]185 *On the Issue of Enterprise Income Tax Preferential Management of the Comprehensive Utilization of Resources* and Caishui [2008]117 *Enterprise Income Tax Directory of Comprehensive Utilization of Resources* (2008 Edition), from 1 January 2008, enterprises use these resources as raw material for the production of non-restricted and non-prohibited products which are in line with national and industry standard products, their income is reduced to 90% included in the total taxable revenue for that year.

China City Environment Protection Engineering Limited Company enjoyed the aforesaid preferential policy in 2018.

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

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd., MCC TianGong Tianjin Co., Ltd., China MCC 20 Group Co., Ltd. and CISDI Architectural & Municipal Design Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2018.

- (h) According to the regulations of the *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses* ("CaiShui [2018] No.99"), for the R&D expenses that are actually incurred by an enterprise and have been included in the current loss and profit while intangible assets are not created, another 75% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in addition to the deduction as prescribed to the extent of the amount actually incurred for the period from 1 January 2018 to 31 December 2020. The following enterprises of the Group shall enjoy this preferential treatment upon the approval of the local tax bureau.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

(h) (Continued)

BERIS Engineering and Research Co., Ltd., MCC Baosteel Technology Services Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., Panzhihua Tianyu Engineering Detection Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 5 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China First Metallurgical Group Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Huatian Engineering & Technology (Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering & Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd., WISDRI City Environment Protection Engineering Co., Ltd. (formerly known as China City Environment Protection Engineering Co., Ltd.), MCC Southern Continuous Casting Technology Engineering Co., Ltd. (formerly known as "MCC Continuous Casting Technology Engineering Co., Ltd."), CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., CISDI Electrics Technology Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., MCC Chengdu Reconnaissance and Research Institute Limited, Tianjin Xinbin Engineering Technology Detection Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Shanghai Baoye Group Co., Ltd., MCC Huatian Baotou Design Research Institute Limited and BERIS Engineering and Research Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2018.

(i) According to "Caishui [2015] No.78", The MoF and the State Administration of Taxation on issuing the *Notice of the Comprehensive Utilization of Resources "Products and Services" of Value Added Tax Preferential Directory*, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Corporation, Changzhou ENFI Water Co., Ltd., Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, Ma'anshan Water Corporation MCC, Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., MCC Xinglong Water Co., Ltd., China City Environment Protection Engineering Limited Company, Wenxian Zhongtuo Water Supply Co., Ltd., Qinhuangdao Funing District MCC Water Co., Ltd., Wuxi Xidong Environmental Protection Energy Co., Ltd. and Xiangyang ENFI Environmental Protection Energy Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax refund of 70% for the sewage treatment services since 1 July 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

- (j) According to the MoF and the State Administration of Taxation on issues concerning *VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry* (“Caishui [2010] No.110”), the taxable income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from VAT.

Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects, which are exempted from VAT.

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

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

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

- (m) According to “Caishui [2013] No.37” issued by the State Administration of Taxation, the technology development business income of Beijing ENFI Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2018. The income derived from the operations of technology transfers of Zhong Ye Chang Tian International Engineering Co., Ltd. was exempted from the value-added tax in 2018. The income derived from the operations of technology transfers and the technology development business of Huatian Engineering & Technology Corporation, MCC, and MCC Xi’an Electric Furnace Institute Co., Ltd. were exempted from value-added tax in 2018.

- (n) According to the Circular on Preferential Policies on Tax Rate for Public Rental Housing (“Caishui [2015] No.139”) issued by the MoF and the State Administration of Taxation, Hebei MCC Mingrun Real Estate Development Co., Ltd. was exempted from land use tax on the enterprise’s public rental housing in 2018.

- (o) According to the “Caishui [2010] No.42” issued by the MoF and the State Administration of Taxation, Wuhu MCC Real Estate Group Co., Ltd. enjoyed the exemption from land use tax (the annual amounts of land-use tax per square meter is RMB12–15 before), and the property transfer book was exempted from stamp duty in 2018. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax in 2018.

- (p) According to the “Caishui [2013] No.101” *Tax Policy on Reconstruction of Shanty Towns* issued by the MoF and the State Administration of Taxation, China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from local education surcharge and stamp duty in 2018.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VI. TAXATION (CONTINUED)

### 2. Tax incentive (Continued)

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

- (q) According to the “Caishui [2008] No.48” issued by the MoF and the State Administration of Taxation, if the enterprise purchases and actually uses the specially-purposed equipment for environment protection, energy and water saving and safety production included in the list since 1 January 2018, 10% of the invested amounts for the specially-purposed equipment can be used to deduct the taxable amount; if it is not enough to deduct the enterprise’s taxable amount, it can be carried forward to the subsequent years, but the period shall not exceed 5 taxpaying years.

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

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

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	18,910	21,757
Bank deposits	31,202,801	34,846,002
Other cash and bank balances	13,255,591	8,725,863
Total	44,477,302	43,593,622
Including: Total amount of deposits abroad	2,969,905	3,068,056

As at 31 December 2018, restricted cash and bank balances were RMB11,326,300,000 (as at 31 December 2017: RMB7,129,488,000) (in Note VII62), which mainly including deposits for issuing bills and statutory deposit reserve at the centre bank, etc.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2. Financial assets held for trading

All amounts in RMB'000

Items	31 December 2018
Financial assets at FVTPL	1,124,150
Including: Currency funds	1,123,211
Equity instruments held for sale	939
Total	1,124,150

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

### 3. Derivative financial assets

All amounts in RMB'000

Item	31 December 2018	31 December 2017
USD foreign exchange option	1,682	–
Forward contract of foreign exchange settlement and sale	683	–
Total	2,365	–

Determination of fair value of derivative financial assets refer to Note XI 3.

### 4. Bills and accounts receivable

#### (1) Presentation of bills and accounts receivable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Bills receivable	20,436,143	20,757,246
Accounts receivable	66,958,297	73,495,762
Total	87,394,440	94,253,008

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Bills and accounts receivable (Continued)

#### (2) Bills receivable

##### (a) Bills receivable analyzed by category

All amounts in RMB'000

Items	31 December 2018			31 December 2017		
	Book value	Provisions for bad debts	Carrying amount	Book value	Provisions for bad debts	Carrying amount
Bank acceptance bills	12,033,795	-	12,033,795	10,442,605	-	10,442,605
Commercial acceptance bills	8,420,268	17,920	8,402,348	10,314,641	-	10,314,641
Total	20,454,063	17,920	20,436,143	20,757,246	-	20,757,246

##### (b) Pledged bills receivable at the end of the year

All amounts in RMB'000

Items	Amount
Bank acceptance bills	3,659,242
Commercial acceptance bills	45,000
Total	3,704,242

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

As at 31 December 2018, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB12,481,141,000 (as at 31 December 2017: RMB10,337,657,000), among which the amount derecognized was RMB12,084,498,000 (as at 31 December 2017: RMB10,022,867,000). The Group is of the view that the risk of not honoring the bills by the issuers upon maturity is remote if the issuers have good credibility, substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred, the Group derecognized these bills receivable from the financial statements. The amount not derecognized was RMB396,643,000 (as at 31 December 2017: RMB314,790,000). The Group is of the view that the Group retains nearly all of the risks and rewards of ownership of the above endorsed and discounted bills receivable, including default risk, the Group didn't derecognized these bills receivable from the financial statements.

##### (d) Provision for bad debts for the current year was RMB17,920,000. The provision for such bad debts belongs to the first stage, where the credit risk of the relevant assets has not increased significantly since the initial recognition, and the bad debt provision is confirmed based on the amount of expected credit losses in the next 12 months. The recovered or reversed bad debts were nil in the current year.

##### (e) Bills receivable with title restriction as at 31 December 2018 are set out in Note VII65.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Bills and accounts receivable (Continued)

#### (3) Accounts receivable

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

All amounts in RMB'000

Aging	31 December 2018	31 December 2017
Within 1 year	43,027,773	47,995,543
1 to 2 years	13,172,158	13,237,639
2 to 3 years	6,222,088	8,988,947
3 to 4 years	5,325,406	6,260,796
4 to 5 years	4,525,459	4,523,345
Over 5 years	8,095,841	5,695,711
Total book value	80,368,725	86,701,981
Less: provisions for bad debts	13,410,428	13,206,219
Carrying amount	66,958,297	73,495,762

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

(b) Disclosed by method of determining bad debt provisions

All amounts in RMB'000

Category	31 December 2018				Carrying amount
	Book value	Provision for bad debts			
	Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable for which bad debt provision is individually assessed (i)	29,873,253	37.17	6,383,621	21.37	23,489,632
Accounts receivable for which bad debt provision is collectively assessed on a portfolio basis (ii)	50,495,472	62.83	7,026,807	13.92	43,468,665
Total	80,368,725	/	13,410,428	/	66,958,297

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Bills and accounts receivable (Continued)

#### (3) Accounts receivable (Continued)

##### (b) Disclosed by method of determining bad debt provisions (Continued)

- (i) Accounts receivable for which bad debt provision is individually assessed at the end of the year

All amounts in RMB'000

Accounts receivable (per entity)	31 December 2018			Reasons
	Book value	Provision for bad debts	Proportion of provision (%)	
Party 1	3,285,437	1,271,137	38.69	The Group considered the reasonable and supported information related to other party (including forward-looking information), then evaluated the anticipated credit losses and made provision of bad debts.
Party 2	1,653,083	-	-	
Party 3	1,274,051	509,620	40.00	
Party 4	1,005,487	497,667	49.50	
Party 5	578,767	578,767	100.00	
Others	22,076,428	3,526,430	15.97	
Total	29,873,253	6,383,621	/	

- (ii) Accounts receivable for which bad debt provision is collectively assessed on a portfolio basis at the end of the year

All amounts in RMB'000

Aging	31 December 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	31,645,125	987,722	3.12
1 to 2 years	9,232,691	949,026	10.28
2 to 3 years	3,695,990	769,800	20.83
3 to 4 years	1,847,733	759,480	41.10
4 to 5 years	1,329,895	872,585	65.61
Over 5 years	2,744,038	2,688,194	97.96
Total	50,495,472	7,026,807	13.92

The Group considers the aging factor and groups accounts receivable accordingly. The Group determines the expected credit loss and provision for impairment based on the historical experience of credit losses.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Bills and accounts receivable (Continued)

#### (3) Accounts receivable (Continued)

- (c) Provision for bad debts of accounts receivable

All amounts in RMB'000

Item	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for bad debts at 1 January 2018 (Note)	7,391,991	5,596,395	12,988,386
Provision for the current year	159,839	512,301	672,140
Reversal for the current year	-	(14,334)	(14,334)
Elimination for the current year	-	(234,863)	(234,863)
Other changes	(901)	-	(901)
Provision for bad debts at 31 December 2018	7,550,929	5,859,499	13,410,428
Book value at 31 December 2018	68,925,902	11,442,823	80,368,725

Note: Due to the implementation of the new standards for revenue, the Group's provision for impairment of engineering work premiums for the previous period was RMB217,833,000, which was converted into contract asset impairment provision on January 1, 2018.

- (d) The top 5 largest accounts receivable collected by arrears at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Group	31 December 2018	As a percentage of total accounts receivable (%)
Party 1	Third Party	3,285,437	4.09
Party 2	Third Party	2,022,296	2.52
Party 3	Third Party	1,653,083	2.06
Party 4	Third Party	1,274,051	1.59
Party 5	Third Party	1,010,726	1.24
Total	/	9,245,593	11.50

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. Bills and accounts receivable (Continued)

#### (3) Accounts receivable (Continued)

(e) During 2018, the Group disposed of its accounts receivable (“basic assets”) to a special project of asset support established by the financial institution as manager. The issuance amount is RMB1,460 million. The manager represents the special project of asset support and issue priority ABS and subprime ABS to investors, and the Group holds some of its subprime ABS. Meanwhile, as an asset service institution, the Group provides management service relating to assets and assets recovery, management of changes of basic assets and other services for the asset support special plan. As the ability of the Group to independently lead the main related activities of the above-mentioned structured entities is limited, the use of substantive powers over structured entities can only affect the Group’s ability to obtain variable returns to a limited extent, the Group has no need to consolidate such structured entities. As the Group neither transfers nor retains almost all the risks and rewards of ownership of the basic assets and retains control over the basic assets, the Group recognises the assets and related liabilities in the balance sheet in accordance with the extent of continuing involvement in the transferred basic assets. As at 31 December 2018, the Group’s assets and liabilities recognized for continuing involvement in the basic assets amounted to RMB14.6 million (31 December 2017: Nil) and presented in other non-current assets and other non-current liabilities. For details, see Note VII 22 and Note VII 39.

(f) Accounts receivable with title restriction as at 31 December 2018 are set out in Note VII65.

### 5. Prepayments

#### (1) Aging analysis of prepayments

All amounts in RMB’000

Aging	31 December 2018		31 December 2017	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	14,971,889	73.80	13,979,686	72.69
1 to 2 years	1,355,775	6.68	1,882,294	9.79
2 to 3 years	1,317,531	6.50	1,690,127	8.79
Over 3 years	2,640,578	13.02	1,677,898	8.73
Total	20,285,773	100.00	19,230,005	100.00

As at 31 December 2018, prepayments aged over one year were RMB5,313,884,000 (As at 31 December 2017: RMB5,250,319,000), mainly including prepaid land lease payments and prepaid construction costs to sub-contractors.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5. Prepayments (Continued)

(2) *The five largest prepayments at the end of the year*

All amounts in RMB'000

Name of entity	Relationship with the Group	31 December 2018	As a percentage of total prepayments (%)
Party 1	Third Party	380,684	1.88
Party 2	Third Party	361,292	1.78
Party 3	Third Party	315,832	1.56
Party 4	Third Party	302,400	1.49
Party 5	Third Party	225,164	1.11
Total	/	1,585,372	7.82

### 6. Other receivables

(1) *Bills receivable analyzed by category*

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Interests receivable	39,091	22,665
Dividends receivable	150,105	48,257
Other receivables	56,196,046	41,328,480
Total	56,385,242	41,399,402

(2) *Interests receivable*

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Interests on term deposits	39,091	22,665
Total	39,091	22,665

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### (3) Dividends receivable

##### (a) Presentation of dividends receivable

All amounts in RMB'000

The name of investee	31 December 2018	31 December 2017
Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	104,392	11,560
Tianjin Tuanbo Urban Development Co., Ltd.	18,000	18,000
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	17,097
Shanghai Zhihu Real Estate Co., Ltd.	8,392	–
Wuhan Zhonghe Engineering Technique Co., Ltd.	2,224	1,600
Total	150,105	48,257

(b) As at 31 December 2018, dividends receivable aged over one year were RMB36,697,000.

#### (4) Other receivables

##### (a) Aging analysis of other receivables

All amounts in RMB'000

Aging	31 December 2018	31 December 2017
Within 1 year	40,506,101	29,020,755
1 to 2 years	8,401,596	5,223,524
2 to 3 years	3,662,883	6,415,330
3 to 4 years	4,714,761	2,307,413
4 to 5 years	1,808,413	1,211,934
Over 5 years	2,043,503	1,241,085
Total book value	61,137,257	45,420,041
Less: provisions for bad debts	4,941,211	4,091,561
Carrying amount	56,196,046	41,328,480



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### (4) Other receivables (Continued)

##### (b) Provision for bad debts of other receivables

All amounts in RMB'000

Item	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision at 1 January 2018	1,773,442	863,731	1,454,388	4,091,561
Provision for the current year	45,986	356,263	504,023	906,272
Reversal for the current year	(2)	–	(47,039)	(47,041)
Written off for the current year	–	–	(12,167)	(12,167)
Other changes	2,586	–	–	2,586
Provision at 31 December 2018	1,822,012	1,219,994	1,899,205	4,941,211
Carrying amount of other receivables at 31 December 2018	51,608,371	4,294,296	5,234,590	61,137,257

##### (c) Other receivables categorized by nature

All amounts in RMB'000

Nature of other receivable	31 December 2018	31 December 2017
Guarantee deposits	25,107,121	21,056,030
Loan receivables from related parties	28,877,721	16,762,523
Advance to employees	356,862	392,759
Receivables on disposal of investments	2,704,572	3,680,585
Others	4,090,981	3,528,144
Total	61,137,257	45,420,041

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6. Other receivables (Continued)

#### (4) Other receivables (Continued)

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

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)
Party 1	Joint venture	Loan to related parties	4,401,374	Within 1 year	7.21
Party 2	Joint venture	Loan to related parties	3,037,142	Within 1 year	4.97
Party 3	Joint venture	Loan to related parties	2,710,812	Within 1 year	4.43
Party 4	Joint venture	Loan to related parties	2,655,387	Within 1 year	4.34
Party 5	Joint venture	Loan to related parties	2,141,947	Within 1 year	3.50
Total	/	/	14,946,662	/	24.45

(e) As at 31 December 2018, there was no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2017: nil).

### 7. Inventories

#### (1) Categories

All amounts in RMB'000

Items	31 December 2018			31 December 2017		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,782,710	55,485	3,727,225	2,721,005	54,582	2,666,423
Materials procurement	141,134	-	141,134	143,415	-	143,415
Outsourced processing materials	11,292	-	11,292	21,023	-	21,023
Work in progress	2,971,363	34,203	2,937,160	2,352,402	111,640	2,240,762
Finished goods	2,956,557	159,959	2,796,598	2,234,468	145,892	2,088,576
Other materials	653,412	6,678	646,734	562,548	8,231	554,317
Contract costs	82,823	96	82,727	-	-	-
Gross amount due from contract customers	-	-	-	65,571,822	1,753,829	63,817,993
Properties under development (a)	34,911,011	103,041	34,807,970	36,134,641	111,106	36,023,535
Completed properties held for sale (b)	12,881,648	424,167	12,457,481	10,976,740	239,906	10,736,834
Total	58,391,950	783,629	57,608,321	120,718,064	2,425,186	118,292,878

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventories (Continued)

#### (1) Categories (Continued)

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

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	31 December 2017	31 December 2018
Nanjin Xiaguanbin River Project	2011-01-01	2020-04-30	16,728,279	9,108,494	7,736,723
MCC Tongluo Town	2014-11-01	2020-12-31	3,500,000	2,084,189	2,336,422
MCC 39 Street Project	2017-05-15	2023-12-31	2,639,749	2,085,633	2,211,208
Hengqin Port Base Project	2015-03-01	2019-03-31	5,499,735	1,558,010	2,008,701
Shijiazhuang MCC Dexian Mansion Project	2016-05-18	2019-12-31	6,181,990	-	1,889,320
Singapore Tampines Apartment Project Block D	2015-10-01	2019-09-30	2,008,581	1,581,445	1,842,553
Tianjin Xinbadali District Qixianli Project	2014-12-25	2019-05-31	8,488,610	3,319,057	1,768,199
Qin Hai Yun Villa Project	2011-08-08	2021-11-30	4,400,000	1,328,243	1,669,594
MCC Xinglong New City Hongshijun	2017-12-20	2023-12-31	16,700,000	2,044	1,515,793
Guangdong, Zhuhai, Hengqin New City Headquarters Building II	2016-12-01	2019-11-30	9,309,159	1,018,637	1,224,790
Tangshan Fengrun Gengyang New City Project	2010-03-01	2022-12-31	10,550,000	1,038,078	1,186,509
Hong Kong Quanwan Project	2013-12-06	2019-12-31	1,172,030	817,597	1,145,704
Baotou MCC Campus South Road Community Project	2011-08-01	2019-12-31	4,100,000	1,307,737	1,010,315
MCC Riverside Project I&II	2013-12-31	2019-12-31	1,423,330	429,894	779,250
Holiday Resort of Baizhi Mountain of MCC	2014-04-01	2024-04-01	4,000,000	293,042	447,301
Hubei Huangshi City MCC Huangshi Garden Project II	2015-01-01	2020-12-31	1,351,899	254,805	391,754
Shanghai Jinshan District - MCC Fengjunyuan Project II	2015-12-31	2019-07-30	590,516	362,092	391,582
Changfengshili Spring Breeze Town	2018-03-03	2020-12-31	2,500,000	-	376,141
Anxinjiayuan Replacement Residence Project	2017-09-12	2019-12-31	650,000	6,337	344,258
Taihang Street Project	2010-04-01	2019-12-31	2,672,858	314,663	318,702
Zhenjiang Yucui Garden	2014-06-01	2019-09-01	1,317,242	270,930	308,704
Qianhai Headquarter R&D Base Commercial properties of Southern R&D Center	2019-12-12	2024-06-12	2,174,280	-	266,200
Baopan Lijingyuan Project	2018-05-28	2019-12-09	739,169	167,657	257,243
MCC Shanghe Residence Project	2014-06-20	2019-12-31	867,232	220,398	240,519
MCC Tianrun Jingyuan Project	2014-03-10	2019-12-31	958,000	142,626	211,263
Others	/	/	76,620,279	8,423,033	3,032,263
Total	/	/	187,142,938	36,134,641	34,911,011

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventories (Continued)

#### (1) Categories (Continued)

##### (b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Completion date	31 December 2017	Increase in the current year	Decrease in the current year	31 December 2018
Brazil Fluctuation Apartment Project	2018-10-30	-	3,828,721	1,737,081	2,091,640
Tianjin Xinbadali District Qixianli Project	2018-05-31	768,307	4,040,693	3,066,612	1,742,388
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	1,311,259	-	199,884	1,111,375
MCC Xinglong New City Hongshijun	2018-12-27	-	886,939	261,763	625,176
Nanjin Xiaguanbin River Project	2018-12-29	27,205	2,542,761	1,966,781	603,185
Qin Hai Yun Villa Project	2017-12-31	682,262	-	153,410	528,852
Shijiazhuang MCC Dexian Mansion Project	2018-08-31	-	2,255,020	1,781,441	473,579
Tangshan Wutong Road Project	2012-10-31	461,152	1,588	11,716	451,024
Dalian International Business City	2014-12-31	574,464	4,268	128,460	450,272
Baotou MCC Campus South Road Community Project	2018-10-25	302,923	583,459	452,986	433,396
Ma'anshan, Zhongdingyue City Project	2018-12-21	243,802	319,238	170,236	392,804
Heilongjiang Qiqihar, Longsha District New Century Plaza Project	2013-12-30	308,493	17,674	51,434	274,733
Anshan Yuluanwan Project II	2014-10-30	283,060	-	52,492	230,568
Anshan Yuluanwan Project III	2016-12-31	243,334	-	13,616	229,718
Others	/	5,770,479	1,973,023	4,500,564	3,242,938
Total	/	10,976,740	16,453,384	14,548,476	12,881,648



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7. Inventories (Continued)

#### (2) Provision for impairment

All amounts in RMB'000

Items	Balance at 31 December 2017	Adjustments for changes of accounting policies	1 January 2018	Increase		Reversals	Decrease		31 December 2018
				Provision	Others		Write-offs	Others	
Raw materials	54,582	-	54,582	2,446	-	-	959	584	55,485
Work in progress	111,640	-	111,640	12,095	-	-	-	89,532	34,203
Finished goods	145,892	-	145,892	34,674	89,532	-	109,065	1,074	159,959
Other materials	8,231	-	8,231	6	-	324	1,235	-	6,678
Performance cost of contract	-	-	-	96	-	-	-	-	96
Gross amount due from contract customers	1,753,829	(1,753,829)	-	-	-	-	-	-	-
Properties under development	111,106	-	111,106	-	-	8,065	-	-	103,041
Completed properties held for sale	239,906	-	239,906	236,586	-	1,001	51,324	-	424,167
<b>Total</b>	<b>2,425,186</b>	<b>(1,753,829)</b>	<b>671,357</b>	<b>285,903</b>	<b>89,532</b>	<b>9,390</b>	<b>162,583</b>	<b>91,190</b>	<b>783,629</b>

(3) As at 31 December 2018, the total borrowing costs capitalized in properties under development were RMB4,141,293,000 (as at 31 December 2017: RMB4,493,693,000). Borrowing costs capitalized during the year ended 31 December 2018 amounted to RMB1,165,846,000 (for the year ended 31 December 2017: RMB1,204,174,000). The capitalization rates of borrowing costs were from 2.38% to 8.70% (for the year ended 31 December 2017: from 2.80% to 5.75%).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Contract assets

#### (1) Presentation of contract assets

All amounts in RMB'000

Items	31 December 2018		Carrying amount
	Book value	Provision for impairment	
Contract assets interrelated with engineering contracting services	64,706,417	2,545,766	62,160,651
Contract assets interrelated with quality guarantee deposit	4,884,672	325,774	4,558,898
Total	69,591,089	2,871,540	66,719,549

#### (2) Provision for impairment of contract assets

All amounts in RMB'000

Item	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for bad debts at 1 January 2018	968,214	1,003,448	1,971,662
Provision for the current year	796,020	158,780	954,800
Reversal for the current year	–	(543)	(543)
Write-off/elimination for the current year	(16,189)	–	(16,189)
Other changes	(38,190)	–	(38,190)
Provision for bad debts at 31 December 2018	1,709,855	1,161,685	2,871,540
Book value at 31 December 2018	68,285,528	1,305,561	69,591,089

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Contract assets (Continued)

#### (3) *Qualitative analysis on contract assets*

The engineering contracting services provided by the Group normally constitute the single performance obligation, which require to be fulfilled in a certain period. The Group shall determine the implementation progress according to the proportion of actual cost in estimated total cost (cost method). Engineering contracting services require regular settlement with the client, and the related contract consideration vests the Group the right to charge the consideration, which will be listed on receivables, to the client unconditionally after the completion of settlement. Under normal circumstances, there are some timing differences between the implementation progress and the settlement progress in engineering contracting. As at 31 December 2018, implementation progress of part of contracts exceeded the settlement progress, thus formed related contract assets, which transfer into receivables after the completion of settlement.

For the engineering quality deposit arising from the settlement of engineering contracting services provided by the Group, the Group has the right to receive the consideration unconditionally from the customer upon the expiration of the guarantee period with no significant quality issues occurred therein. Such deposit constituted contract assets and was transferred into accounts receivable under the above-said condition.

#### (4) *West Australia SINO Iron Mining Project*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Contract assets (Continued)

#### (4) West Australia SINO Iron Mining Project (Continued)

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 31 December 2018.

On 31 December 2018, the contract assets of the project mentioned above amounted to RMB3,671,883,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

### 9. Non-current assets due within one year

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Long term receivables due within one year (Note VII11)	3,498,610	2,171,927
Total	3,498,610	2,171,927

### 10. Other current assets

All amounts in RMB'000

Items	31 December 2018	31 December 2017
VAT debit balance	1,445,596	2,701,741
Prepayments of enterprise income tax	479,223	534,911
Total	1,924,819	3,236,652



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term receivables

#### (1) Long-term receivables

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Long-term receivables on project	22,052,258	15,847,773
Loans to related parties	2,460,338	8,600,229
Receivables on disposal of equity investments	333,485	333,485
Others (a)	1,415,068	1,891,351
Total carrying amount	26,261,149	26,672,838
Less: Bad debt provision for long-term receivables	1,141,857	959,733
	<u>25,119,292</u>	<u>25,713,105</u>
Including: Long-term receivables due within 1 year, net	3,498,610	2,171,927
Long-term receivables due over 1 year, net	21,620,682	23,541,178

31 December 2018, long-term receivables are presented on a net basis with the discount rate ranging from 4.35% to 4.90%.

- (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

(a) (Continued)

In 2015, the PNG Parties informed Ramu NiCo that they would acquire 15% beneficial interests in the Project, effective from 1 January 2015. The two parties agreed the historical project development costs borne by the PNG Parties would be USD190 million, which was accounted for as long-term receivables by the Group, and the construction costs of the Project reduced by the same amount correspondingly. This payment would be settled by the PNG Parties to the Group from a certain proportion of the future sales of the products of the Project by the PNG Parties. The outstanding long-term receivable from the PNG Parties by the Group is interest-bearing at a rate agreed by the PNG Parties and the Group. Meanwhile, the PNG Parties would bear 15% of the Project operation costs. As such, from 1 January 2015 onward, the proportion of the mineral products shared by Ramu NiCo would be reduced to 85%. The Group will enjoy 85% of the revenue and shared 85% of the operation costs of the Project accordingly. As at 31 December 2018, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1,304 million (as at 31 December 2017 the long-term receivables amounted to approximately RMB1,240 million).

#### (2) Provision for long-term receivables

All amounts in RMB'000

Item	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Impairment at 1 January 2018	36,592	–	923,141	959,733
Provision for the current year	85,106	116,330	1,429	202,865
Reversal for the current year	(15,906)	–	(4,835)	(20,741)
Impairment at 31 December 2018	105,792	116,330	919,735	1,141,857
Carrying amount of long-term receivables at 31 December 2018	24,768,413	530,331	962,405	26,261,149

(3) As of 31 December 2018, the Group has no long-term receivables that are derecognized as a whole because almost all the risks and rewards related to the ownership have been transferred to the transferee but continues to be involved in the transferred financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12. Long-term equity investments

All amounts in RMB'000

Company name	31 December 2017	Movements during the current year							Others	31 December 2018 of	
		Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current year		31 December 2018	bad debt provision
<b>1. Joint ventures</b>											
Guizhou Ziwang Highway Construction Co., Ltd. (Note IX(1)(b))	522,593	532,534	-	-	-	-	-	-	-	1,055,127	-
Guizhou Sanli Highway Construction Co., Ltd. (Note IX(1)(b))	646,677	354,858	-	-	-	-	-	-	-	1,001,535	-
Guizhou Sanshi Highway Construction Co., Ltd. (Note IX(1)(b))	330,717	329,273	-	-	-	-	-	-	-	659,990	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. (Note IX(1)(b))	243,785	-	-	-	-	-	-	-	-	243,785	-
Jilin City Jicheng Hada Pipe Gallery Investment Operation Co., Ltd.	186,033	-	-	(895)	-	-	-	-	-	185,138	-
Others	1,387,884	632,670	(904)	(66,681)	(40)	-	(12,827)	(154,830)	-	1,785,272	219,720
Subtotal	3,317,689	1,849,335	(904)	(67,576)	(40)	-	(12,827)	(154,830)	-	4,930,847	219,720
<b>2. Associates</b>											
Tianjin SERI Machinery Equipment Corporation Ltd.	721,170	-	-	(52,539)	-	-	-	-	-	668,631	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	416,970	-	-	99,413	-	-	-	-	-	516,383	-
Nanjing Ming's Culture Co., Ltd.	298,346	-	-	(12,355)	-	-	-	-	-	285,991	-
Shiyuan Baoye Urban Construction Co., Ltd.	-	275,828	-	-	-	-	-	-	-	275,828	-
Sichuan Development National Metallurgical Construction Investment Co., Ltd.	40,401	180,000	-	21,704	-	-	(408)	-	-	241,697	-
Others	4,121,490	2,877,790	(29,188)	(17,900)	45	-	(14,359)	-	(2,400)	6,935,478	56,731
Subtotal	5,598,377	3,333,618	(29,188)	38,323	45	-	(14,767)	-	(2,400)	8,924,008	56,731
Total	8,916,066	5,182,953	(30,092)	(29,253)	5	-	(27,594)	(154,830)	(2,400)	13,854,855	276,451

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13. Investments in other equity instruments

#### (1) Investments in other equity instruments

All amounts in RMB'000

Item	31 December 2018	Cash dividends for the current year
Investments in non-trading equity instruments – listed companies	396,680	12,576
Investments in non-trading equity instruments – unlisted companies	1,471,284	115,783
Total	1,867,964	128,359

(2) In 2018, the derecognition of investment in other equity instruments amounting to RMB12,278,000 is transferred from other comprehensive income to retained earnings.

(3) As of 31 December 2018, the cumulative loss of other equity instruments held by the Group that are recorded in other comprehensive income is RMB5,859,000 (Note VII 43).

(4) Since these investments are non-tradable equity instruments and the Group is not expected to sell them in the foreseeable future, the Group designates these investments as financial assets at fair value through OCI.

### 14. Other non-current financial assets

All amounts in RMB'000

Item	31 December 2018
Financial assets at FVTPL	4,214,624
Including: investment in unquoted fund product (Note)	4,184,517
Equity instrument investment	30,107
Total	4,214,624

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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment properties

#### (1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
<b>I. Total original book value</b>			
1. 31 December 2017	3,553,772	558,829	4,112,601
2. Increase	3,966,158	33,475	3,999,633
(1) Purchase or construction	1,907,496	–	1,907,496
(2) Transferred from fixed assets/ intangible assets	16,059	33,251	49,310
(3) Transferred from inventories	1,917,790	–	1,917,790
(4) Transferred from construction in progress	3,392	224	3,616
(5) Others	121,421	–	121,421
3. Decrease	1,858,756	3,251	1,862,007
(1) Transferred to fixed assets/ intangible assets	31,467	3,251	34,718
(2) Transferred to inventories	3,742	–	3,742
(3) Disposal of subsidiaries	1,822,985	–	1,822,985
(4) Others	562	–	562
4. 31 December 2018	5,661,174	589,053	6,250,227
<b>II. Total accumulated depreciation and amortization</b>			
1. 31 December 2017	628,317	98,168	726,485
2. Increase	97,936	15,183	113,119
(1) Depreciation or amortization	88,577	12,226	100,803
(2) Transferred from fixed assets/ intangible assets	7,876	2,957	10,833
(3) Others	1,483	–	1,483
3. Decrease	2,097	884	2,981
(1) Transferred to fixed assets/ intangible assets	1,945	884	2,829
(2) Transferred to inventories	152	–	152
4. 31 December 2018	724,156	112,467	836,623
<b>III. Total accumulated impairment provision</b>			
1. 31 December 2017	–	–	–
2. Increase	21,471	–	21,471
(1) Provision	21,471	–	21,471
3. Decrease	–	–	–
(1) Disposal	–	–	–
4. 31 December 2018	21,471	–	21,471
<b>IV. Total carrying amount</b>			
1. 31 December 2018	4,915,547	476,586	5,392,133
2. 31 December 2017	2,925,455	460,661	3,386,116

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Investment properties (Continued)

- (2) As at 31 December 2018, the Group have buildings and structures of investment properties at carrying amount of RMB298,942,000 (original book value of RMB310,671,000) of which the title certificates were not obtained by the Group (as at 31 December 2017: carrying amount of RMB306,321,000; original book value of RMB310,671,000).

All amounts in RMB'000

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	298,942	In progress

- (3) Investment properties with title restriction as at 31 December 2018 are set out in Note VII65.

### 16. Fixed assets

#### (1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>I. Total historical cost:</b>					
1. 31 December 2017	21,997,195	22,770,266	2,196,072	3,385,511	50,349,044
2. Increase	1,068,844	635,592	202,925	378,329	2,285,690
(1) Purchase	267,165	311,941	138,111	190,222	907,439
(2) Transferred from investment properties	31,467	-	-	-	31,467
(3) Transferred from construction in progress	448,120	165,630	1,380	40,525	655,655
(4) Others	322,092	158,021	63,434	147,582	691,129
3. Decrease	274,219	632,489	170,964	100,315	1,177,987
(1) Disposal or written-off	193,478	484,567	147,009	58,342	883,396
(2) Disposal of subsidiaries	21,355	32,057	937	10,984	65,333
(3) Transferred to investment properties	16,059	-	-	-	16,059
(4) Transferred to construction in progress	4,463	-	-	-	4,463
(5) Others	38,864	115,865	23,018	30,989	208,736
4. 31 December 2018	22,791,820	22,773,369	2,228,033	3,663,525	51,456,747

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed assets (Continued)

#### (1) Fixed assets (Continued)

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
<b>II. Total accumulated depreciation</b>					
1. 31 December 2017	5,748,886	11,491,901	1,439,897	1,326,805	20,007,489
2. Increase	827,024	1,614,345	184,280	245,312	2,870,961
(1) Depreciation	773,052	1,423,193	155,863	192,523	2,544,631
(2) Transferred from investment properties	1,945	-	-	-	1,945
(3) Others	52,027	191,152	28,417	52,789	324,385
3. Decrease	213,716	361,301	152,441	126,575	854,033
(1) Disposal or written-off	133,291	300,781	125,084	49,851	609,007
(2) Disposal of subsidiaries	3,897	27,922	543	9,416	41,778
(3) Transferred to investment properties	7,876	-	-	-	7,876
(4) Transferred to construction in progress	48	-	-	-	48
(5) Others	68,604	32,598	26,814	67,308	195,324
4. 31 December 2018	6,362,194	12,744,945	1,471,736	1,445,542	22,024,417
<b>III. Total impairment provision</b>					
1. 31 December 2017	563,743	1,043,145	21,455	109,714	1,738,057
2. Increase	165,244	212,224	1,225	8,049	386,742
(1) Provision	149,263	195,184	571	7,335	352,353
(2) Others	15,981	17,040	654	714	34,389
3. Decrease	36,587	23,531	323	2,068	62,509
(1) Disposal or written-off	11,314	21,332	42	2,024	34,712
(2) Others	25,273	2,199	281	44	27,797
4. 31 December 2018	692,400	1,231,838	22,357	115,695	2,062,290
<b>IV. Total carrying amount of fixed assets</b>					
1. 31 December 2018	15,737,226	8,796,586	733,940	2,102,288	27,370,040
2. 31 December 2017	15,684,566	10,235,220	734,720	1,948,992	28,603,498

#### (2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	287,573	91,759	157,334	38,480	Seasonal suspension or idle
Machinery and equipment	743,510	324,357	351,935	67,218	Seasonal suspension or idle
Other equipment	19,934	18,654	23	1,257	Seasonal suspension or idle

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16. Fixed assets (Continued)

#### (3) Fixed assets under finance leases

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	662,893	328,488	-	334,405

#### (4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	44,272
Transportation vehicles	6,895

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

Buildings and structures with an aggregate carrying amount of RMB311,177,000 (historical cost: RMB372,988,000) as at 31 December 2018 (as at 31 December 2017: carrying amount of RMB320,297,000; historical cost of RMB372,988,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	135,029	In the process
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	161,548	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	14,600	In the process

(6) Fixed assets with title restriction as at 31 December 2018 are set out in Note VII65.

(7) Impairment provision for fixed assets was RMB2,062,290,000 as at 31 December 2018 (as at 31 December 2017: RMB1,738,057,000).

As the market price of poly-silicon remained low, certain items of fixed assets of China Silicon Corporation Ltd. ("China Silicon"), a subsidiary of the Company, had impairment indicators. As of 31 December 2017, the accumulated impairment provision for the fix assets of China silicon amounted to RMB486,109,000. In 2018, the Group hired an independent appraiser, Asia Pacific Appraisal & Consulting Co., Ltd. to conduct impairment assessment based on the estimated recoverable value of China silicon Co., Ltd.'s assets. According to the impairment assessment result, as of 31 December 2018, the Group has made additional fixed asset impairment provision of RMB29,445,000 for the current year. The cumulative balance of fixed asset impairment provision related to China silicon Co., Ltd.'s assets recognized by the Group is RMB515,554,000. The fixed assets of China silicon belong to the resource development segment.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Construction in progress

#### (1) Construction in progress analysed by category

All amounts in RMB'000

Category	31 December 2018	31 December 2017
Construction in progress	3,308,517	2,826,218
Materials for construction of fixed assets	71,454	64,812
Total	3,379,971	2,891,030

#### (2) Construction in progress

##### (a) Construction in progress

All amounts in RMB'000

Items	31 December 2018			31 December 2017		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure project of MCC JCL Anak Mining Co., Ltd	1,067,758	-	1,067,758	992,216	-	992,216
CISDI Chengdu Research and Design Center	209,868	-	209,868	208,935	-	208,935
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	183,682	-	183,682	1,186	-	1,186
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	180,315	-	180,315	2,321	-	2,321
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	152,768	-	152,768	90,030	-	90,030
Development and industrialization of high-level purity electronic polysilicon	102,719	-	102,719	24,722	-	24,722
Duda lead and zinc project	697,957	603,202	94,755	804,570	603,202	201,368
Hunan District Technology Research Center	58,258	-	58,258	48,421	-	48,421
Daye colored 15000Nm <sup>3</sup> /h oxygen generator project	44,028	-	44,028	1,000	-	1,000
Xinjiang Industrial Park Project	26,290	-	26,290	25,234	-	25,234
Others	1,200,921	12,845	1,188,076	1,242,138	11,353	1,230,785
Total	3,924,564	616,047	3,308,517	3,440,773	614,555	2,826,218

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Construction in progress (Continued)

#### (2) Construction in progress (Continued)

##### (b) Movements of the significant items of construction in progress

All amounts in RMB'000

Items	Budgeted amount	1 January 2018	Increase	Transfer to fixed assets/ investment properties	Other changes	31 December 2018	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current period	Latest rate	Sources of fund
											of borrowing capitalized for the current period (%)	
Infrastructure project of MCC JCL Anak Mining Co., Ltd	23,847,800	992,216	75,542	-	-	1,067,758	19.48	19.48	-	-	-	Self-raised funds
CISDI Chengdu Research and Design Center	766,550	208,935	933	-	-	209,868	27.38	27.38	-	-	-	Self-raised funds
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	400,000	1,186	182,496	-	-	183,682	46.00	46.00	-	-	-	Self-raised funds
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	200,000	2,321	177,994	-	-	180,315	90.16	90.16	-	-	-	Self-raised funds
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	90,030	62,738	-	-	152,768	15.27	15.27	3,134	3,134	6.64	Self-raised funds & loan from financial institutions
Development and industrialization of high-level purity electronic polysilicon	280,000	24,722	77,997	-	-	102,719	41.61	41.61	-	-	-	Self-raised funds
Duda lead and zinc project	1,116,845	804,570	61,052	(167,665)	-	697,957	88.11	88.11	15,569	4,250	5.00	Self-raised funds & loan from financial institutions
Hunan District Technology Research Center	62,100	48,421	9,837	-	-	58,258	93.81	93.81	-	-	-	Self-raised funds
Daye colored 15000Nm <sup>3</sup> /h oxygen generator project	121,960	1,000	43,028	-	-	44,028	36.00	36.00	-	-	-	Self-raised funds
Xinjiang Industrial Park Project	34,800	25,234	3,073	(2,017)	-	26,290	81.34	81.34	3,362	-	-	Self-raised funds & loan from financial institutions
Others	12,058,192	1,242,138	547,408	(543,706)	(44,919)	1,200,921	/	/	13,764	12,122	/	/
<b>Total</b>	<b>39,888,247</b>	<b>3,440,773</b>	<b>1,242,098</b>	<b>(713,388)</b>	<b>(44,919)</b>	<b>3,924,564</b>	<b>/</b>	<b>/</b>	<b>35,829</b>	<b>19,506</b>	<b>/</b>	<b>/</b>

- (c) The Group made provision for impairment of construction in progress of RMB4,212,000 for 2018 (2017: RMB2,211,000). As at 31 December 2018, the balance of the impairment provision for construction in progress of the Group was RMB616,047,000 (as at 31 December 2017: RMB614,555,000).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17. Construction in progress (Continued)

#### (3) Materials for construction

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Materials	22,776	16,507
Equipment	47,985	47,634
Tools and instruments prepared for production	669	648
Others	24	23
Total	71,454	64,812

### 18. Intangible assets

#### (1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
<b>I. Total historical cost:</b>							
1. 31 December 2017	7,364,577	4,087,333	8,839,951	560,812	67,864	270	20,920,807
2. Increase	961,774	72,524	516,116	67,206	4,605	-	1,622,225
(1) Purchase	951,784	3,755	465,746	62,543	4,579	-	1,488,407
(2) Transferred from construction in progress	-	-	50,370	3,747	-	-	54,117
(3) Transferred from investment property	3,251	-	-	-	-	-	3,251
(4) Others	6,739	68,769	-	916	26	-	76,450
3. Decrease	446,965	166,873	17,096	7,366	10	-	638,310
(1) Disposal	398,396	-	9,952	6,464	-	-	414,812
(2) Transferred to investment properties	33,251	-	-	-	-	-	33,251
(3) Others	15,318	166,873	7,144	902	10	-	190,247
4. 31 December 2018	7,879,386	3,992,984	9,338,971	620,652	72,459	270	21,904,722

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18. Intangible assets (Continued)

#### (1) Intangible assets (Continued)

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
<b>II. Total accumulated amortization</b>							
1. 31 December 2017	1,306,177	53,995	1,004,710	403,292	40,181	270	2,808,625
2. Increase	150,247	3,704	259,853	50,060	2,955	-	466,819
(1) Amortization	149,299	3,407	259,853	49,783	2,955	-	465,297
(2) Transferred from investment property	884	-	-	-	-	-	884
(3) Others	64	297	-	277	-	-	638
3. Decrease	89,661	-	13,675	7,319	-	-	110,655
(1) Disposal	83,557	-	6,883	6,464	-	-	96,904
(2) Transferred to investment properties	2,957	-	-	-	-	-	2,957
(3) Others	3,147	-	6,792	855	-	-	10,794
4. 31 December 2018	1,366,763	57,699	1,250,888	446,033	43,136	270	3,164,789
<b>III. Total impairment provision</b>							
1. 31 December 2017	47,634	2,640,573	-	9	4,783	-	2,692,999
2. Increase	353,128	-	-	258	-	-	353,386
(1) Provision	351,921	-	-	258	-	-	352,179
(2) Others	1,207	-	-	-	-	-	1,207
3. Decrease	301,156	139,008	-	17	-	-	440,181
(1) Disposal	288,137	-	-	-	-	-	288,137
(2) Others	13,019	139,008	-	17	-	-	152,044
4. 31 December 2018	99,606	2,501,565	-	250	4,783	-	2,606,204
<b>IV. Carrying amount of intangible assets</b>							
1. 31 December 2018	6,413,017	1,433,720	8,088,083	174,369	24,540	-	16,133,729
2. 31 December 2017	6,010,766	1,392,765	7,835,241	157,511	22,900	-	15,419,183

As at 31 December 2018, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.04% (as at 31 December 2017: 0.05%).

(2) The Group made no extra impairment provision of Cape Lambert Iron Project owned by the Group for the current year. As at 31 December 2018, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,481,342,000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB278,428,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 31 December 2018 are set out in Note VII65.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Goodwill

#### (1) Original historical amount

All amounts in RMB'000

Company name	1 January 2018	Increase		Decrease		31 December 2018
		Business combinations	Others	Disposal	Others	
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	51,972	-	-	-	20,560	31,412
Chengde Tiangong Architectural Design Co., Ltd.	33,460	-	-	-	-	33,460
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	18,533	-	-	-	-	18,533
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,779	-	-	-	-	9,779
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Beijing Tianrun Construction Co., Ltd.	5,142	-	-	-	-	5,142
Shanghai WuGang Equipment Engineering Co., Ltd.	1,114	-	-	-	-	1,114
Wuhan Huaxia Fine-blanking Technology Co., Ltd.	837	-	-	837	-	-
Total	339,099	-	-	837	20,560	317,702

#### (2) Impairment provision

All amounts in RMB'000

Company name	1 January 2018	Increase		Decrease		31 December 2018
		Provision	Others	Disposal	Others	
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	51,972	-	-	-	20,560	31,412
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	8,875	196	-	-	-	9,071
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	740	70	-	-	-	810
Total	174,817	266	-	-	20,560	154,523

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19. Goodwill (Continued)

- (3) When the Group performs impairment assessment on goodwill arising from business combination, the Group allocates the book value of goodwill to the asset group or portfolio that is expected to benefit from the synergistic effect of enterprise merger, and evaluates the recoverable amount of the asset group or portfolio that contains the apportioned goodwill.
- (4) 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 2017: 17.33%). Cash flow projections during the forecast period for the asset groups are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development. The recoverable value of the asset groups of the other subsidiaries, are calculated based on the present value of future cash flows as well, but not significant to the Group.

### 20. Long-term prepayments

All amounts in RMB'000

Items	1 January 2018	Increase	Amortization	Other decreases	31 December 2018
Improvements of operating lease of fixed assets	20,021	12,758	8,386	-	24,393
Insurance expenditures	15,391	10,534	8,277	946	16,702
Rental expenditures	3,216	27,334	3,813	-	26,737
Repair expenditures	12,367	6,923	3,997	-	15,293
Others	245,027	40,211	98,693	-	186,545
Total	296,022	97,760	123,166	946	269,670

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. 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	31 December 2018		31 December 2017	
	Deductible temporary differences/ tax losses	Deferred tax assets	Deductible temporary differences/ tax losses	Deferred tax assets
Impairment provision	20,298,566	3,759,761	18,794,078	3,541,061
Unrealized profit on inter-company transactions	2,025,496	471,805	1,522,970	337,212
Defined benefit plans	1,545,866	359,206	1,662,120	386,618
Deductible tax losses	737,101	160,586	375,295	82,267
Employee benefits payable	384,224	65,199	424,042	76,614
Changes in the fair value of available-for-sale financial assets	-	-	3,869	923
Changes in the fair value of other equity instrument investments	205,960	42,082	-	-
Others	1,685,999	372,152	930,525	196,303
Total	26,883,212	5,230,791	23,712,899	4,620,998

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

All amounts in RMB'000

Items	31 December 2018		31 December 2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	59,892	17,937	93,935	29,834
Changes in the fair value of available-for-sale financial assets	-	-	284,421	53,371
Changes in the fair value of investments of other equity instruments	232,034	37,175	-	-
Others	547,159	134,634	547,500	136,129
Total	839,085	189,746	925,856	219,334

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21. Deferred tax assets and deferred tax liabilities (Continued)

(3) *Deferred tax assets and deferred tax liabilities presented on a net basis after offsetting*

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the year	Deferred tax assets and liabilities after offset at the end of the year	The offset amount of deferred tax assets and liabilities at the beginning of the year	Deferred tax assets and liabilities after offset at the beginning of the year
Deferred tax assets	78,359	5,152,432	35,299	4,585,699
Deferred tax liabilities	78,359	111,387	35,299	184,035

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

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Deductible temporary differences	6,914,459	5,740,469
Deductible tax losses	12,716,672	16,102,906
Total	19,631,131	21,843,375

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

All amounts in RMB'000

Year	31 December 2018	31 December 2017
2018	–	4,754,655
2019	2,754,216	2,944,329
2020	2,639,704	2,880,689
2021	3,427,601	3,650,037
2022	1,824,709	1,873,196
2023	2,070,442	–
Total	12,716,672	16,102,906



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22. Other non-current assets

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Deposits for acquisition of assets	61,393	22,660
Continuing involvement in the transferred financial asset (Note VII4(3)(e))	14,600	–
Total	75,993	22,660

### 23. Short-term borrowings

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

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Pledged loans	–	46,250
Mortgaged loans (a)	1,171,500	185,000
Credit loans	46,637,816	39,194,605
Total	47,809,316	39,425,855

#### (a) Mortgaged loans

As at 31 December 2018, borrowings of RMB1,171,500,000 (as at 31 December 2017: RMB185,000,000) were secured by the mortgage of the Group's intangible assets, fixed assets and inventories in an aggregate amount of RMB1,503,143,000 (as at 31 December 2017: RMB195,533,000).

(2) As at 31 December 2018, the weighted average interest rate of short-term borrowings was 4.24% per annum (as at 31 December 2017: 4.23% per annum).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24. Derivative financial liabilities

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Forward exchange contracts	496	–
Total	496	–

Determination of fair value of derivative financial liabilities refers to Note XI 3.

### 25. Bills and accounts payable

#### (1) Presentation of bills payable and accounts payable

All amounts in RMB'000

Category	31 December 2018	31 December 2017
Bills payable	27,751,007	22,332,231
Accounts payable	113,260,891	117,498,912
Total	141,011,898	139,831,143

#### (2) Bills payable

All amounts in RMB'000

Category	31 December 2018	31 December 2017
Bank acceptance bills	25,251,870	20,709,890
Commercial acceptance bills	2,499,137	1,622,341
Total	27,751,007	22,332,231

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25. Bills and accounts payable (Continued)

#### (3) Accounts payable

##### (a) Presentation of accounts payable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Project fees	77,608,913	81,184,153
Purchases	28,487,082	28,871,705
Design fees	287,087	303,329
Labor fees	5,478,789	5,693,111
Retention money	633,018	692,057
Others	766,002	754,557
Total	113,260,891	117,498,912

##### (b) Aging analysis of accounts payable

All amounts in RMB'000

Aging	31 December 2018	31 December 2017
Within 1 year	80,480,768	82,949,952
1 to 2 years	16,570,927	17,862,894
2 to 3 years	6,194,146	6,472,412
Over 3 years	10,015,050	10,213,654
Total	113,260,891	117,498,912

- (c) On 31 December 2018, accounts payable of RMB32,780,123,000 (31 December 2017: RMB34,548,960,000) aged over one year were mainly due to project and materials payable, as both parties remained Business transactions have taken place and the amount has not been settled.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. Receipts in advance

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Lease receipt in advance	191,783	56,991
Project fees	–	12,717,055
Sales proceeds	–	12,678,645
Design fees	–	997,831
Labor fees	–	86,051
Gross amounts due to contract customers	–	17,118,278
Others	–	206,573
Total	191,783	43,861,424

### 27. Contract liabilities

#### (1) Presentation of contract liabilities

All amounts in RMB'000

Item	31 December 2018
Contract liabilities relating to engineering contracting service contracts	40,795,568
Contract liabilities relating to sales contracts	16,591,164
Contract liabilities relating to other customers' contracts	1,531,561
Total	58,918,293

#### (2) Qualitative analysis on contract liabilities

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

As presented in Note VII8, the engineering contracting services provided by the Group require regular settlements with the customers. Under normal circumstances, there are some time differences among the implementation and settlement progress of the engineering contracting service contracts or the progress of receipt. As at 31 December 2018, the implementation progress of some engineering contracting service contracts lagged behind the settlement progress or receipt progress, which means the Group has acquired the contract consideration or the right to gain contract consideration unconditionally, thus form the contract liabilities relating to engineering contracting services.

The sales contracts of the Group normally satisfied at a point in time. The Group will recognize revenue at the time of acquiring the control of the related goods. As at 31 December 2018, the implementation time of performance obligation of the Group in the sale contract was later than the payment time of the customers, thus formed the related contract liability of the sale contract.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Employee benefits payable

#### (1) Employee benefits payable

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	31 December 2018
I. Short-term employee benefits	1,694,042	18,100,185	18,111,976	<b>1,682,251</b>
II. Post-employment benefits -defined contribution plan	235,120	3,136,676	3,111,410	<b>260,386</b>
III. Termination benefits	1,183	69,166	59,094	<b>11,255</b>
IV. Other benefits	44,351	1,896,896	1,936,978	<b>4,269</b>
Total	<u>1,974,696</u>	<u>23,202,923</u>	<u>23,219,458</u>	<u><b>1,958,161</b></u>

#### (2) Short-term employee benefits

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	31 December 2018
I. Salaries, bonuses, allowances and subsidies	725,041	14,009,391	14,107,645	<b>626,787</b>
II. Staff welfare	6,567	593,989	591,486	<b>9,070</b>
III. Social insurance premiums	20,794	1,251,905	1,242,092	<b>30,607</b>
Including: Medical insurance	20,025	1,103,067	1,094,287	<b>28,805</b>
Work-related injury insurance	509	82,964	82,265	<b>1,208</b>
Maternity insurance	260	65,874	65,540	<b>594</b>
IV. Housing provident funds	201,918	1,891,693	1,898,395	<b>195,216</b>
V. Labor union expenditures and employees' education expenses	739,722	353,207	272,358	<b>820,571</b>
Total	<u>1,694,042</u>	<u>18,100,185</u>	<u>18,111,976</u>	<u><b>1,682,251</b></u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28. Employee benefits payable (Continued)

#### (3) Defined contribution plan

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	31 December 2018
1. Basic retirement insurance	136,616	2,553,541	2,549,309	140,848
2. Unemployment insurance	6,308	91,015	90,006	7,317
3. Supplementary pension	92,196	492,120	472,095	112,221
Total	235,120	3,136,676	3,111,410	260,386

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 RMB3,136,676,000 (for the year ended 31 December 2017: RMB2,792,062,000) to the defined contribution plan for the current year. As at 31 December 2018, there was a payable amount of RMB260,386,000 (as at 31 December 2017: RMB235,120,000).

### 29. Taxes payable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Value added tax	685,467	840,331
Consumption tax	16,806	8,900
Enterprise income tax	1,442,077	1,295,416
Individual income tax	343,598	428,371
City maintenance and construction tax	57,206	92,701
Education surcharges	41,367	73,621
Land appreciation tax	981,005	551,834
Others	226,538	137,547
Total	3,794,064	3,428,721

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Other payables

#### (1) Other payables disclosed by nature

All amounts in RMB'000

Categories	31 December 2018	31 December 2017
Interests payable	447,201	551,884
Dividends payable	1,233,385	1,057,084
Other payables	22,155,180	25,223,069
Total	23,835,766	26,832,037

#### (2) Interests payable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Interests payable on long-term borrowings	148,415	72,336
Interests payable on corporate bonds	114,689	237,747
Interests payable on short-term borrowings	176,556	192,580
Others	7,541	49,221
Total	447,201	551,884

As at 31 December 2018, the Group did not have any significant overdue interest.

#### (3) Dividends payable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Dividend declared on perpetual bonds classified as equity instrument	687,630	441,974
Other dividends	545,755	615,110
Total	1,233,385	1,057,084

Dividends aged over one year but not settled yet is RMB368,524,000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30. Other payables (Continued)

#### (4) Other payables

##### (a) Other payables disclosed by nature

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Guarantees and deposits payable	14,900,075	14,844,927
Rental payable	287,684	202,078
Utilities payable	132,333	207,114
Repair and maintenance payable	368,680	330,072
Payables for land use rights	22,535	29,852
Others	6,443,873	9,609,026
Total	22,155,180	25,223,069

- (b) On 31 December 2018, other payables aged over one year of RMB10,105,658,000 (31 December 2017: RMB9,463,666,000) were mainly guarantees and deposits payable collected by the Group, that both parties remained Business transactions continue to occur and the amount has not been settled.

### 31. Non-current liabilities due within one year

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Long-term borrowings due within one year (Note VII33)	13,107,812	11,572,993
Bonds payable due within one year (Note VII34)	900,000	6,204,000
Long-term payables due within one year (Note VII35)	290,189	267,636
Long-term employee benefits payable due within one year (Note VII36)	356,210	379,279
Total	14,654,211	18,423,908



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32. Other current liabilities

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Amounts to be transferred to output VAT	4,811,859	6,236,904
Deferred income to be released to income statement within one year (Note VII38)	79,088	120,496
Total	4,890,947	6,357,400

### 33. Long-term borrowings

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

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Pledge loans (a)	1,424,968	576,920
Mortgage loans (b)	5,035,940	8,527,779
Guarantee loans (c)	1,501,860	1,464,930
Credit loans	28,938,280	24,474,107
Total	36,901,048	35,043,736
Less: Long-term borrowings due within one year (Note VII31):	13,107,812	11,572,993
Including: Pledge loans	432,549	339,000
Mortgage loans	2,561,303	2,103,602
Credit loans	10,113,960	9,130,391
Long-term borrowings due over one year	23,793,236	23,470,743

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Long-term borrowings (Continued)

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

##### (a) Pledge loans

As at 31 December 2018, long-term borrowings of RMB1,424,968,000 (as at 31 December 2017: RMB576,920,000) were secured by the pledge of the Group's accounts receivable in amount of RMB1,580,739,000 (as at 31 December 2017: RMB576,920,000).

##### (b) Mortgage loans

As at 31 December 2018, long-term borrowings of RMB5,035,940,000 (as at 31 December 2017: RMB8,527,779,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB7,977,452,000 (as at 31 December 2017: RMB12,868,560,000).

##### (c) Guaranteed loans

As at 31 December 2018, long-term borrowings of RMB1,501,860,000 were guaranteed by CMGC (as at 31 December 2017: RMB1,464,930,000).

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

All amounts in RMB'000

<b>Maturity Date</b>	<b>31 December 2018</b>	31 December 2017
1 to 2 years	<b>8,061,123</b>	11,966,521
2 to 5 years	<b>11,561,184</b>	8,050,744
Over 5 years	<b>4,170,929</b>	3,453,478
Total	<b>23,793,236</b>	23,470,743

(3) As at 31 December 2018, the weighted average interest rate of long-term borrowings was 4.84% per annum (as at 31 December 2017: 4.45% per annum).

(4) As at 31 December 2018, the Group did not have any significant overdue long-term borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. Bonds payable

#### (1) Bonds payable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Corporate debentures	2,560,000	6,774,000
USD debentures	6,852,091	6,516,675
Total	9,412,091	13,290,675
Including: Bonds payable due within one year (Note VII31)	900,000	6,204,000
Bonds payable due over one year	8,512,091	7,086,675

#### (2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	31 December 2017	Issued in the current year	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current year	31 December 2018
Corporate Debentures	3,500,000	2008-07-23	10 years	3,500,000	2,704,000	-	91,736	-	-	2,704,000	-
Corporate Debentures (a)	3,500,000	2016-03-03	3 years	3,500,000	3,500,000	-	77,570	-	-	2,600,000	900,000
USD debentures (b)	3,431,650	2017-05-31	3 years	3,411,043	3,250,670	-	107,451	163,946	6,845	-	3,421,461
USD debentures (c)	3,378,100	2017-07-17	3 years	3,376,770	3,266,005	-	102,805	164,173	452	-	3,430,630
Corporate Debentures (d)	570,000	2017-10-24 to 2017-10-25	5 years	570,000	570,000	-	28,443	-	-	-	570,000
Corporate Debentures (e)	870,000	2018-05-07 to 2018-05-08	3 years	870,000	-	870,000	27,002	-	-	-	870,000
Corporate Debentures (f)	220,000	2018-05-07 to 2018-05-08	5 years	220,000	-	220,000	5,610	-	-	-	220,000
Total	15,469,750	/	/	15,447,813	13,290,675	1,090,000	440,617	328,119	7,297	5,304,000	9,412,091

- (a) 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 an initial rate of 4.75% per annum. The issuer has the right to adjust the interest rate while the bond holders can exercise their sold back rights at the end of second year for the duration of the private corporate debentures. On 28 February 2018, MCC Real Estate Group Co., Ltd. repurchased the bonds of RMB2,600,000,000 from the bondholder, and on March 3rd, MCC Real Estate Group Co., Ltd. exercised its right to adjust the interest rate to 6.5%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34. Bonds payable (Continued)

#### (2) Movements of bonds payable (Continued)

- (b) 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.
- (c) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 17 July 2017 at a discounted price of USD499,803,000 with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.
- (d) As approved by CSRC, the Company issued corporate debentures publicly from 24 October 2017 to 25 October 2017, at an equal price with the face value of RMB570,000,000, a term of five years from issuance. The debentures bear interests at a fixed rate of 4.99% per annum. Interest will be paid every half year and principal will be paid upon maturity date.
- (e) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at face value of RMB870,000,000 with a term of 3 years from issuance and interest bearing at a rate of 4.78%. Interest will be paid every year and principal will be paid upon maturity date.
- (f) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at face value of RMB220,000,000 with a term of 5 years from issuance and interest bearing at a rate of 4.98%. Interest will be paid every year and principal will be paid upon maturity date.

### 35. Long-term payables

#### (1) Presentation of long-term payables

All amounts in RMB'000

Categories	31 December 2018	31 December 2017
Long-term payables	921,514	1,099,228
Special payables	259,006	172,170
Total	1,180,520	1,271,398



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35. Long-term payables (Continued)

#### (2) Long-term payables

##### (a) Long-term payables disclosed by nature

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Finance lease payables	390,714	545,097
Housing maintenance fee payables	41,911	41,770
Others	779,078	779,997
Total	1,211,703	1,366,864
Including: Long-term payables due within one year (Note VII31)	290,189	267,636
Long-term payables due over one year	921,514	1,099,228

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

All amounts in RMB'000

Maturity Date	31 December 2018	31 December 2017
1 to 2 years	385,878	249,137
2 to 5 years	85,575	407,349
Over 5 years	450,061	442,742
Total	921,514	1,099,228

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35. Long-term payables (Continued)

#### (2) Long-term payables (Continued)

##### (c) Details of finance lease payables

All amounts in RMB'000

	31 December 2018	31 December 2017
The first year after balance sheet	228,202	292,552
The second year after balance sheet	89,843	174,679
The third year after balance sheet	61,338	51,938
Subsequent years	49,442	72,875
Minimum lease payments	428,825	592,044
Less: Unrecognized finance costs	38,111	46,947
Finance lease payables	390,714	545,097
Including: Amount due for settlement within one year	211,209	267,509
Amount due for settlement after one year	179,505	277,588

#### (3) Special payables

All amounts in RMB'000

Items	31 December 2017	Increase	Decrease	31 December 2018
Housing allowance payables	607	-	-	607
Special housing maintenance fee payables	47	-	-	47
Special payables for water/power/gas supply and property (Note)	168,142	656,951	570,115	254,978
Others	3,374	-	-	3,374
Total	172,170	656,951	570,115	259,006

Note: The Company has commenced the transfer of water/power/gas supply and property with the received special payables for water/power/gas supply and property aggregated to the special payables for settlement, in accordance with the Notice of Rewarding the Guidance on the Separation and Transfer of Water/Power/Gas Supply and Property in Residential Quarters for Employees of the State-owned Enterprises by State-owned Assets Supervision and Administration Commission of the State Council, the MoF from the General Office of the State Council (Guo Ban Fa [2016] No.45), and the Management of Central Government Grants on the Separation and Transfer of Water/Power/Gas Supply and Property to Employees and Their Relatives of Central Enterprises (Cai Zi [2016] No.38) and other related management documents etc.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Long-term employee benefits payable

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

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Post-employment benefits -Net liability arising from defined benefit plan	3,853,063	3,933,492
Total	3,853,063	3,933,492
Including: Long-term employee benefits payable due within one year (Note VII/31)	356,210	379,279
Long-term employee benefits payable due over one year	3,496,853	3,554,213

#### (a) Movements in the defined benefit plan

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
I. Opening balance	3,933,492	4,066,001
II. Defined benefit costs recognized in profit or loss	151,341	157,870
1. Current service cost	-	-
2. Past service cost	1,757	42,680
3. Net interest expense	149,584	115,190
III. Defined benefit costs recognized in other comprehensive income	217,676	161,001
1. Actuarial losses	217,676	161,001
IV. Other movements	(449,446)	(451,380)
1. Benefits paid	(449,446)	(451,380)
V. Closing balance	3,853,063	3,933,492

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Long-term employee benefits payable (Continued)

(2) *Details of the defined benefit plan and its corresponding risk, effect on further cash flows, maturity and uncertainty of the Group*

- (a) Defined benefit plan was for the staff retired before 31 December 2007. The retirement benefits received are depended on the retirement position, seniority and salary of the staff etc. The Group's supplementary-retirement benefits obligation at the balance sheet date was calculated by an external independent actuary "Willis Towers Watson" using projected unit credit actuarial cost method.
- (b) The Group weighted average period of the present value for the defined benefit plan is 7 to 8 years.
- (c) Expected maturity analysis of undiscounted post-employment benefits:

*All amounts in RMB'000*

	<b>Within 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Post-employment benefits	<u>356,210</u>	<u>331,102</u>	<u>862,698</u>	<u>2,715,134</u>	<u>4,265,144</u>

- (d) Defined benefits plan exposes the Group in various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The increase of the life expectancy will increase the defined benefit plan obligations.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36. Long-term employee benefits payable (Continued)

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

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

	31 December 2018	31 December 2017
Discount rate	3.25%	4.00%
Mortality rate	CLA CL5/CL6 up 3	CLA CL5/CL6 up 3
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

(b) The sensitivity analysis of the major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group were as follows:

	Impact on present value of the defined benefit obligations		
	Assumed changes	Assumed increase	Assumed decrease
Discount rate	0.25%	Decrease by 1.70%	Increase by 1.80%
Annual growth rate of living cost for retirement staff and survivors	1.00%	Increase by 1.00%	Decrease by 0.80%
Annual growth rate of employee medical expense reimbursement	1.00%	Increase by 2.60%	Decrease by 2.20%

The sensitivity analysis above was prepared based on the change of one assumption but all other variables were held constant. However, the assumptions above are usually inter-related. The calculation of the present value of the defined benefit obligation in the sensitivity analysis above is also adopted the projected unit credit actuarial cost method.

Method and type of significant assumptions used in the sensitivity analysis for the current year remained unchanged comparing with the previous year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37. Provisions

All amounts in RMB'000

Items	31 December 2018	31 December 2017	Reasons
Pending litigations	41,511	29,346	Because of the verdict of losing a lawsuit, the Group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	4,966	6,677	Because of the sales contract, the Group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	201,474	213,629	Because of the resource development contract, the Group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Onerous contract to be performed	182,893	3,805	It is probable that the performance of the present obligation arising from the Group's payment for expected contract loss due to the onerous contract to be performed will result in an outflow of economic benefits and reliable measurement of the obligation amount.
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	417,759	-	In accordance with the requirement of Guo Ban Fa [2016] No.45, Cai Zi [2016] No.38, and other related management documents, the Group shall bear the current obligation formed during the separation and hand-over of "Special payables for water/power/gas supply and property". An outflow of resources would be required to settle this obligation and the amount had been reliably estimated.
Others	13,136	17,015	Others
Total	861,739	270,472	/

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 38. Deferred income

All amounts in RMB'000

Items	1 January 2018	Increase	Decrease	31 December 2018	Reasons
Government grants	1,240,273	148,656	200,873	1,188,056	The government grants related to assets mainly including the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly including research subsidies.
Others	152,196	8,394	58,520	102,070	Others
Total	1,392,469	157,050	259,393	1,290,126	/
Including: Deferred income to be released to income statement within one year (Note VII(32))	120,496	/	/	79,088	/
Deferred income to be released to profit and loss over one year	1,271,973	/	/	1,211,038	/

### 39. Other non-current liabilities

All amounts in RMB'000

Item	31 December 2018	31 December 2017
Continuing involvement in the transferred financial liabilities (Note VII(3)(e))	14,600	—
Total	14,600	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 40. Share capital

All amounts in RMB'000

Item	1 January 2018	Movements during the current year				Subtotal	31 December 2018
		Issue of new shares	Bonus issue	Shares converted from capital reserve	Others		
Total shares	20,723,619	-	-	-	-	-	20,723,619

### 41. Other equity instruments

All amounts in RMB'000

Name of financial instrument	1 January 2018		Increase		Decrease		31 December 2018	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
First tranche of medium term notes of 2015 (a)	5,000	4,925,000	-	-	-	-	5,000	4,925,000
Second tranche of medium term notes of 2015 (a)	2,500	2,479,975	-	-	2,500	2,479,975	-	-
Third tranche of medium term notes of 2015 (a)	2,500	2,479,975	-	-	2,500	2,479,975	-	-
Public issuance of renewable corporate bonds in 2017 (1st Tranche)	2,700	2,699,779	-	-	-	-	2,700	2,699,779
Public issuance of renewable corporate bonds in 2017 (2nd Tranche)	2,000	1,999,836	-	-	-	-	2,000	1,999,836
Public issuance of renewable corporate bonds in 2017 (3rd Tranche)	2,000	1,999,803	-	-	-	-	2,000	1,999,803
Public issuance of renewable corporate bonds in 2017 (4th Tranche)	1,300	1,299,872	-	-	-	-	1,300	1,299,872
Renewable financing instruments in 2018	-	-	/	3,000,000	-	-	/	3,000,000
Total	18,000	17,884,240	/	3,000,000	5,000	4,959,950	13,000	15,924,290

As it is at the discretion of the Company to decide whether to redeem the above-mentioned medium-term notes or defer payments on the above-mentioned corporate bonds and renewable financing instruments, the above-mentioned perpetual bonds' perpetuity remains in effect. Unless otherwise dictated by a compulsory interest payment occurrence that is independently decided and consequently controlled by the Company, the Company can choose, at its own discretion, to defer the current interest payment and previous deferred interests and related yields to next interest payment date without any limitation on the number of deferred interest payments. The Company believes that such perpetual bonds do not meet the definition of financial liabilities and are accounted for as other equity instruments subsequent to deduction of related transaction costs from the total issue amount.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41. Other equity instruments (Continued)

- (a) In 2018, the Company redeemed the second tranche and third tranche of 2015 medium-term notes, resulting in a total reduction of RMB4,959,950,000 in other equity instruments.
- (b) The company entered into a renewable financing contract with ICBC on 29 December 2018, totaling RMB3,000,000,000. The Company possesses a redemption option as financier and may exercise such option on the redemption date (20 March 2019, 20 June 2019, 20 September 2019, 20 December 2019, and the interest commencement date which is the date when the first investment amount is actually transferred to the designated account of the Company) and on the corresponding dates of each following year.

The coupon rate applicable for the first year's interest is 5.50%. If the Company chooses not to exercise the redemption option, the coupon rate shall be reset every year starting from the second year. The reset coupon rate comprises the current benchmark rate plus the spread at the issuance and 300 basis points.

Unless mandatory interest payment event happens, at each of the interest payment date of the above renewable bonds, the Company can choose, at its own discretion, to defer the current interest payment and previously deferred interests and related yields to next interest payment date without any limitation on the number of deferred interest payments. The above-mentioned deferral of interests does not constitute the Company's failure to pay interests in full as agreed. The interest on every deferred interest payment is calculated according to the coupon rate for the current period.

Within three months before the interest payment date, the Company shall pay in full the previously deferred interests and related yields instead of deferring the current interest payment and previously deferred interests and related yields in the event of the following occurrences:

- (i) Distribution of dividends and profit in any form;
- (ii) Reduction of registered capital.

### 42. Capital reserve

All amounts in RMB'000

Items	1 January 2018	Increase	Decrease	31 December 2018
Share premium (Note)	22,507,192	–	40,050	22,467,142
Other capital reserve	20,475	5,059	–	25,534
Total	22,527,667	5,059	40,050	22,492,676

Note: In 2018, the Company redeemed the second tranche and third tranche of 2015 medium-term notes at face value RMB5,000,000,000, resulting in a reduction in capital reserve of RMB40,050,000 as shown in Note VII 41.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43. Other comprehensive income

All amounts in RMB'000

Items	31 December 2017	Accounting Policies Change adjustment (Note V28(1))	1 January 2018	Other comprehensive income before tax for the year	Movements during the current year Less: Amount included in other comprehensive income in the prior years that is transferred to profit or loss for current year	Less: Income tax expenses	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	Less: Retained earnings transferred from other comprehensive income	31 December 2018
I. Items that will not be reclassified subsequently to profit or loss	(119,608)	130,916	11,308	(378,772)	-	(58,710)	(342,483)	22,421	(12,278)	(318,897)
1. Remeasurement of defined benefit obligations	(119,608)	-	(119,608)	(217,676)	-	(14,661)	(193,430)	(9,585)	-	(313,038)
2. Fair value change of other equity instrument investment	-	130,916	130,916	(161,096)	-	(44,049)	(149,053)	32,006	(12,278)	(5,859)
II. Items that may be reclassified subsequently to profit or loss	124,826	(225,948)	(101,122)	255,774	-	-	207,877	47,897	-	106,755
1. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method	(546)	-	(546)	5	-	-	(4)	9	-	(550)
2. Net (Loss) gain on revaluation of available-for-sale financial assets	225,948	(225,948)	-	-	-	-	-	-	-	-
3. Exchange differences on translating foreign operations	(100,576)	-	(100,576)	255,769	-	-	207,881	47,888	-	107,305
Total comprehensive income	5,218	(95,032)	(89,814)	(122,998)	-	(58,710)	(134,606)	70,318	(12,278)	(212,142)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 44. Special reserve

All amounts in RMB'000

Items	1 January 2018	Increase	Decrease	31 December 2018
Production safety fee	12,550	3,617,390	3,617,390	12,550
Total	12,550	3,617,390	3,617,390	12,550

### 45. Surplus reserve

All amounts in RMB'000

Items	1 January 2018	Increase	Decrease	31 December 2018
Statutory surplus reserve (a)	1,338,615	116,804	-	1,455,419
Total	1,338,615	116,804	-	1,455,419

- (a) In accordance with the *Company Law of the PRC* and the Company's Articles of Association, the Company appropriated 10% of the net profit to the statutory surplus reserve. When the accumulated amount of statutory surplus reserve reaches 50% of the Company's registered capital, further appropriation will not be needed. Upon the approval of the board, the statutory surplus reserve can be used to offset previous years' losses or increase the share capital. The Company appropriated 10% of the net profit, amounting to RMB116,804,000 for the year ended 31 December 2018 (for the year ended 31 December 2017: RMB237,964,000), to the statutory surplus reserve.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46. Retained earnings

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
31 December 2017	20,007,920	16,203,904
Add: Changes of accounting policies (Note V28(1))	(143,226)	–
Retained earnings at 1 January 2018 (Note V28(1))	19,864,694	16,203,904
Add: Net profit attributable to shareholders of the Company for the current year	6,371,580	6,061,488
Other comprehensive income carried forward to retained earnings	(12,278)	–
Less: Appropriation to statutory surplus reserve (Note VII45(a))	116,804	237,964
Declaration of dividends on ordinary shares (a)	1,409,206	1,243,417
Declaration of dividends on perpetual bonds (c)	1,151,036	776,091
	23,546,950	20,007,920

- (a) In accordance with the resolution at the 2017 annual general meeting of shareholders on 26 June 2018, a final cash dividend of RMB0.68 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,409,206,000. These dividends had been paid in the current year.
- (b) As at 31 December 2018, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB11,421,725,000 (as at 31 December 2017: RMB10,561,908,000).
- (c) Dividends on perpetual bond amounted to RMB1,151,036,000 (2017: RMB776,091,000), including RMB910,561,000 of net profits attributable to holders of perpetual bonds for the current year (for the year ended 31 December 2017: RMB776,091,000). As at 31 December 2018, retained earnings contained no interests belong to the perpetual bond holders (as at 31 December 2017: nil).

### 47. Operating revenue and operating costs

#### (1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	288,286,154	252,375,726	243,016,757	211,525,460
Other business	1,248,369	746,240	983,107	526,845
Total	289,534,523	253,121,966	243,999,864	212,052,305



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47. Operating revenue and operating costs (Continued)

(2) *The segment information of operating revenue and operating costs for the period ended 31 December 2018 is set out in Note XV1.*

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

The total amount of operating revenue from the top five largest customers of the Group is RMB10,463,667,000 (for the year ended 31 December 2017: RMB11,507,373,000), accounting for 3.61% of the total operating revenue of the Group (for the year ended 31 December 2017: 4.72%).

*All amounts in RMB'000*

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	4,246,160	1.46
Party 2	1,646,603	0.57
Party 3	1,538,686	0.53
Party 4	1,530,823	0.53
Party 5	1,501,395	0.52
Total	10,463,667	3.61

(4) The engineering contracting services provided by the Group generally constitutes a single performance obligation as a whole and is performed over time. As at 31 December 2018, some of the Group's engineering contracting service contracts are still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each service contract, and will be recognized as revenue in the future performance period of each contract based on the performance progress.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48. Taxes and levies

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
City construction and maintenance tax	287,816	308,658
Education surcharges	137,744	147,622
Land appreciation tax	1,081,251	787,604
Property tax	209,044	194,868
Land use tax	139,721	128,639
Stamp duty	160,349	146,132
Others	396,658	395,498
Total	2,412,583	2,109,021

### 49. Selling expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Packing charges	6,501	3,925
Employee compensation costs	879,688	767,903
Depreciation expenses	18,167	17,690
Travelling expenses	201,863	210,403
Office expenses	146,491	139,701
Transportation expenses	255,247	169,256
Advertising and sales service expenses	393,651	478,194
Others	206,933	174,215
Total	2,108,541	1,961,287

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 50. Administrative expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Employee compensation costs	5,432,431	4,883,601
Depreciation expenses	478,245	500,258
Travelling expenses	374,557	360,556
Office expenses	701,589	661,236
Lease rentals	190,094	139,547
Repairs and maintenance expenses	164,383	165,026
Amortization of intangible assets	167,148	181,083
Professional service fees	319,625	239,731
Others	741,021	550,831
Total	8,569,093	7,681,869

The administrative expenses for the current year include audit fees of RMB23,400,000 (for the year ended 31 December 2017: RMB23,400,000), among which audit fees for internal control for the current year amounted to RMB2,700,000 (for the year ended 31 December 2017: RMB2,700,000).

### 51. Research and development expenditure

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Research and development material expenditure	4,255,315	3,174,252
Employee compensation costs	2,337,613	1,650,070
Depreciation expenses	96,696	94,467
Amortization of intangible assets	17,027	17,741
Others	476,015	399,515
Total	7,182,666	5,336,045

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 52. Financial expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest expenses	6,100,714	4,882,497
Less: Capitalized interests	(1,574,982)	(1,726,262)
Less: Interest income	(2,063,982)	(1,001,059)
Exchange losses	201,205	385,358
Bank charges	382,057	214,680
Others	207,207	264,817
Total	3,252,219	3,020,031

### 53. Impairment losses of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
1. Bad debt provision	–	2,931,894
Including: Accounts receivable bad debts	–	1,159,365
Other receivables bad debts	–	1,044,169
Long-term receivables bad debts	–	728,360
2. Impairment of inventories (Note VII7(2))	276,513	558,146
3. Impairment of available-for-sale financial assets	–	20,000
4. Impairment of long-term equity investment (Note VII12)	154,830	64,890
5. Impairment losses of investment properties (Note VII15(1))	21,471	–
6. Impairment of fixed assets (Note VII16(1))	352,353	321,101
7. Impairment of construction in progress (Note VII17(2)(c))	4,212	2,211
8. Impairment of intangible assets (Note VII18)	352,179	13,957
9. Impairment of goodwill (Note VII19(2))	266	1,589
10. Others	3,326	(5,160)
Total	1,165,150	3,908,628



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 54. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current year
Bad debt loss on bills and accounts receivable (Note VII4(2)(b), Note VII 4(3)(c))	675,726
Bad debt loss on other receivables (Note VII6(4)(b))	859,231
Impairment losses of contract assets (Note VII8(2))	954,257
Bad debt losses on long-term receivables ((Note VII11(2))	182,124
Total	2,671,338

### 55. Other income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Related to assets/income
Tax returns	132,344	105,059	Related to income
Research subsidy	9,044	8,060	Related to assets/ income
Compensation for land demolition	10,926	15,974	Related to assets
Others	85,339	71,243	Related to assets/ income
Total	237,653	200,336	/

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 56. Investment income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Losses from long-term equity investments under equity method	(12,371)	(90,614)
Investment income on disposal of long-term equity investments	132,388	530,896
Investment income on disposal of held-for-trading financial assets	22,935	–
Investment income on disposal of financial assets and financial liabilities at FVTPL	–	29,603
Investment income from holding other equity instrument investment	128,359	–
Investment income from holding other non-current financial assets	101,947	–
Investment income from holding available-for-sale financial assets	–	68,508
Investment income on disposal of available-for-sale financial assets	–	14,107
Others	2,722	(3,630)
Total	<b>375,980</b>	<b>548,870</b>

### 57. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current year	Amount for the prior year
Gains arising on changes in fair value of financial assets at FVTPL	–	222
Gains arising on changes in fair value of financial assets held for trading	22,482	–
Gains arising on changes in fair value of derivative financial assets	2,365	–
Losses arising on changes in fair value of derivative financial liabilities	(496)	–
Gains arising on changes in fair value of other non-current financial assets	4,648	–
Total	<b>28,999</b>	<b>222</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 58. Gains on disposal of assets

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Gains on disposal of fixed assets	134,436	45,895
Gains on disposal of intangible assets	3,979	53,118
Total	138,415	99,013

### 59. Non-operating income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current year
Income from penalty	75,294	57,000	75,294
Gains on inventory taking	317	182	317
Government grants irrelevant to ordinary courses	158,159	167,255	158,159
Approved unpayable balances	70,163	76,571	70,163
Others	145,933	137,628	145,933
Total	449,866	438,636	449,866

### 60. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year	Recognized in non-recurring profit or loss for the current year
Fines and surcharges for overdue payments	64,486	53,295	64,486
Compensation and default payments	53,129	70,237	53,129
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	559,367	–	559,367
Others	80,454	119,537	80,454
Total	757,436	243,069	757,436

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 61. Income tax expenses

#### (1) Income tax expenses

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Current year tax expenses	2,526,598	2,498,985
Deferred tax expenses	(572,761)	(236,153)
Total	1,953,837	2,262,832

#### (2) Reconciliation of income tax expenses to the accounting profit

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Total profit	9,524,444	8,974,686
Income tax expenses calculated at the statutory tax rate (25%)	2,381,111	2,243,672
Effect of difference between applicable tax rate and statutory tax rate	(526,572)	(474,177)
Income not subject to tax	(301,015)	(156,524)
Expenses not deductible for tax purposes	165,836	168,532
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(230,944)	(214,134)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	905,432	866,915
Others	(440,011)	(171,452)
Income tax expense	1,953,837	2,262,832

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which have been provided based on the statutory income tax rate of 25% on the assessable income of each of these companies during the current year as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate.

Taxation of overseas subsidiaries within the Group has been calculated on the estimated assessable profit of these subsidiaries for the current year at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 62. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in re-measurement of defined benefit obligations	(217,676)	(161,001)
Less: Income tax effects on changes in re-measurement of defined benefit obligations	(14,661)	383
Subtotal	(203,015)	(161,384)
2. Fair value change of investments in other equity instruments	(161,096)	-
Less: Income tax effects arising from fair value change of investments in other equity instruments	(44,049)	-
Subtotal	(117,047)	-
(II) Other comprehensive income that may be reclassified subsequently to profit or loss		
1. Other comprehensive income that may be included to profit or loss under equity method	5	(644)
Less: Effect of income tax incurred by other comprehensive income under equity method	-	-
Subtotal	5	(644)
2. Changes in fair value of available-for-sale financial assets	-	(10,325)
Less: Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current year	-	(2,631)
Less: Income tax effects on available-for-sale financial assets	-	(20,770)
Subtotal	-	13,076
3. Exchange differences on translating foreign operations	255,769	(24,809)
Total	(64,288)	(173,761)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Notes to items in the cash flow statements

#### (1) Other cash receipts relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Receipts of deposits and guarantee funds	55,149	3,579,487
Interest income	499,246	525,149
Recovery of receivables	1,757,178	3,520,964
Government grants received	583,539	470,615
Petty cash funds returned by employees	45,897	9,569
Others	555,175	243,572
	3,496,184	8,349,356

#### (2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Payments of deposits and guarantee funds	4,051,091	96,569
Research and development expenses	4,730,657	4,061,346
Payments for retirement benefits	449,446	451,380
Travelling expenses	576,420	570,959
Office expenses	502,405	684,419
Repair and maintenance expenses	171,899	209,894
Advertising and sales service expenses	393,652	478,194
Settlements for payables	620,313	829,951
Conference expenses and association fees	14,129	12,926
Others	495,070	1,975,645
	12,005,082	9,371,283

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII, NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 63. Notes to items in the cash flow statements (Continued)

#### (3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Interest income from loans offered to related parties	1,266,874	238,348
Government grants related to assets	–	98,028
Net cash flow receipts from acquisition of subsidiaries	–	28,986
Total	<b>1,266,874</b>	365,362

#### (4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Providing loans to related parties	303,286	9,607,508
Total	<b>303,286</b>	9,607,508

#### (5) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Increase in restricted deposits	4,196,812	978,009
Settlements of finance lease obligations	276,934	270,428
Redemption of perpetual medium-term notes	5,000,000	–
Transactions with non-controlling interests	–	52,208
Total	<b>9,473,746</b>	1,300,645

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII, NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Supplementary information of the cash flow statements

#### (1) Supplementary information of the cash flow statements

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
1. Reconciliation of net profit to cash flows from operating activities :		
Net profit	7,570,607	6,711,854
Add: Provision for impairment losses of assets and credit losses	3,836,488	3,908,628
Depreciation of fixed assets and amortization of investment properties	2,396,610	2,532,018
Amortization of intangible assets	462,853	383,497
Amortization of long-term prepayments	79,672	79,959
Gains on disposal of fixed assets, intangible assets and other long-term assets	(138,415)	(99,013)
The excess of the fair value of identifiable net assets acquired over the cost of combination	-	(599)
Losses on written-off of fixed assets	9,408	2,976
Gains from changes in fair value	(28,999)	(222)
Financial expenses	3,460,063	3,303,245
Investment income	(375,980)	(548,870)
Increase in deferred tax assets	(569,707)	(215,965)
Decrease in deferred tax liabilities	(3,054)	(20,188)
Decrease in inventories	62,326,114	3,518,979
Increase in contract assets	(69,591,089)	-
Increase in receivables from operating activities	(6,270,942)	(18,884,783)
Increase in payables from operating activities	10,886,341	17,746,331
Net cash flows from operating activities	<u>14,049,970</u>	<u>18,417,847</u>
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	33,151,002	36,464,134
Less: Opening balance of cash	36,464,134	38,711,911
Add: Closing balance of cash equivalents	-	-
Less: Opening balance of cash equivalents	-	-
Net decrease in cash and cash equivalents	<u>(3,313,132)</u>	<u>(2,247,777)</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 64. Supplementary information of the cash flow statements (Continued)

#### (2) Net cash receipts from disposal of subsidiaries

All amounts in RMB'000

	<b>Amount</b>
Cash and cash equivalents received from disposal of subsidiaries in the current year	43,673
Less: Cash and cash equivalents held by subsidiaries and business units	2,994
Add : Cash and cash equivalents received from disposal of subsidiaries in the previous year	-
Net cash receipts from disposal of subsidiaries	<u>40,679</u>

#### (3) The composition of cash and cash equivalents

All amounts in RMB'000

<b>Items</b>	<b>31 December 2018</b>	31 December 2017
I. Cash	<b>33,151,002</b>	36,464,134
Including: Cash on hand	<b>18,910</b>	21,757
Bank deposits without restriction	<b>31,202,801</b>	34,846,002
Other cash and bank balances without restriction	<b>1,929,291</b>	1,596,375
II. Cash equivalents	-	-
III. Closing balance of cash and cash equivalents	<b>33,151,002</b>	36,464,134
Including: Cash and cash equivalents of the Company or within the Group with restriction	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 65. Assets with title restrictions

All amounts in RMB'000

Items	31 December 2018	Reasons
Cash and bank balances	11,326,300	Freeze/Control
Bills receivable	3,704,242	Pledge
Bills receivable	396,643	Endorsed or discounted
Accounts receivable	1,580,739	Pledge
Inventories	7,892,881	Mortgage
Investment properties	339,233	Mortgage
Fixed assets	547,647	Mortgage
Fixed assets	179,095	Others-Freeze
Intangible assets	700,834	Mortgage
Intangible assets	84,584	Others-Freeze
Total	26,752,198	/

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Foreign currencies denominated items

#### (1) Foreign currencies denominated items

All amounts in RMB'000

Items	Foreign currency at 31 December 2018	Exchange rate	RMB at 31 December 2018
<b>Cash and bank balances</b>			4,954,464
Including: USD	415,100	6.8632	2,848,911
EUR	12,326	7.8473	96,724
AUD	50,319	4.8250	242,787
HKD	47,095	0.8762	41,265
RMB	43,937	1.0000	43,937
Others	/	/	1,680,840
<b>Interests receivable</b>			411,047
Including: USD	57,243	6.8632	392,870
AUD	3,767	4.8250	18,177
<b>Accounts receivable</b>			1,435,574
Including: USD	91,906	6.8632	630,768
AUD	1,000	4.8250	4,825
Others	/	/	799,981
<b>Other receivables</b>			3,035,647
Including: USD	293,850	6.8632	2,016,752
AUD	133,042	4.8250	641,930
RMB	168,819	1.0000	168,819
Others	/	/	208,146
<b>Short-term borrowings</b>			3,142,576
Including: USD	422,429	6.8632	2,899,212
Others	/	/	243,364
<b>Accounts payable</b>			719,224
Including: USD	4,224	6.8632	28,988
EUR	915	7.8473	7,184
AUD	565	4.8250	2,727
RMB	88,704	1.0000	88,704
Others	/	/	591,621
<b>Other payables</b>			10,162,444
Including: USD	652,588	6.8632	4,478,843
AUD	39,096	4.8250	188,639
RMB	3,368,052	1.0000	3,368,052
Others	/	/	2,126,910
<b>Long-term borrowings</b>			1,853,064
Including: USD	270,000	6.8632	1,853,064

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 66. Foreign currencies denominated items (Continued)

#### (2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Limited	Hong Kong	US Dollar	
MCC Ramu NiCo Ltd.	Papua New Guinea	US Dollar	

The functional currencies of the Group's major foreign operations have not changed during the reporting period.

### 67. Government grants

#### (1) Basic information of Government grants

All amounts in RMB'000

Government grants	Category	The amount received this year	The listed items	The amount recognized in profit or loss
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Related to income	47,669	Differed income/ Administrative expenses	50,578
Tax refund from Baoshan Luodian Development Zone	Related to income	45,910	Other income	45,910
Science and Technology Support Funding of Finance Bureau of Dalian High-tech Industrial Park	Related to income	35,780	Operating costs	35,780
Government grant to "zombie enterprises"	Related to income	25,346	Administrative expenses	25,346
Special fiscal subsidy from the central government	Related to assets	25,290	Differed income	-
Development Subsidy of Finance Bureau, Baoshan District, Shanghai	Related to income	20,000	Other income	20,000
Subsidies to companies in difficulties for supporting enterprises and steadying positions	Related to income	18,320	Non-operating income	18,320
Pension expenditure to retirees allocated from the Ministry of Science and Technology	Related to income	16,986	Non-operating income	16,986
Land compensation for demolition from Baoshan District Government	Related to income	10,252	Other income	10,252



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 67. Government grants (Continued)

#### (1) Basic information of Government grants (Continued)

All amounts in RMB'000

Government grants	Category	The amount received this year	The listed items	The amount recognized in profit or loss
Equipment subsidy for training center and teaching stadium of Panzhihua Technician School	Related to assets	10,000	Deferred income	-
Others	Related to assets/ Related to income	327,986	Deferred income/ Operating costs/ Administrative expenses/ Other income/ Non-operating income/ Financial expenses/R&D Expenses	412,584
Total	/	583,539	/	635,756

(2) During the reporting period, the Group has no returned government grants.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

### 1. Disposal of subsidiaries

#### (1) Disposal of subsidiaries through single transaction

All amounts in RMB'000

Name of the subsidiary	Sales proceeds	Percentage of equity interest disposed (%)	Method of disposal	Disposal date	The basis of determining disposal date	The difference between disposal consideration and shares of net assets of the corresponding subsidiaries at the date of disposal	Proportion of the retained interests on disposal date (%)	Carrying amount of the retained interests on disposal date	Fair value of the retained interests on disposal date	Amounts recognized in profit or loss from re-measuring retained interests in accord with its fair value	Key factors and assumptions used in determining the fair value on disposal date	Cumulative gain reclassified from other comprehensive income to profit or loss on disposal
Entity 1	N/A	90.00	Involving new shareholders	2018-03-31	The date of actual loss of control	84,906	10.00	50,010	50,099	89	Assessment method: asset basis method Key assumption: similar market transaction price on the assessment basis date	-
Entity 2	43,550	68.22	Negotiating transfer	2018-06-19	The date of actual loss of control	500	-	-	-	-	N/A	-
Others	123	/ /	/	/	The date of actual loss of control	(500)	/	99,683	100,778	1,095	/	-
<b>Total</b>	<b>275,481</b>	<b>/ /</b>	<b>/</b>	<b>/</b>	<b>/</b>	<b>84,906</b>	<b>/</b>	<b>149,693</b>	<b>150,877</b>	<b>1,184</b>	<b>/</b>	<b>-</b>

The Group achieved gains of RMB86,090,000 arising on losing control of above subsidiaries, which was presented in investment income in the consolidated financial statements (Note VII56). The Group achieved net cash outflow of RMB40,679,000 arising on losing control of above subsidiaries.

### 2. Other reasons of the change for scope of consolidation

There were no significant changes of the scope of the consolidation for the current year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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) Ltd.	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	-	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	12.49	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	-	Invested by shareholders
MCC-JJJ Mining Development Company Limited	China	Beijing	Resource development	67.02	-	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	88.89	-	Invested by shareholders
MCC Real Estate Group Co., Ltd. //)	China	Beijing	Property development	100.00	-	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Engineering contracting	100.00	-	Invested by shareholders
MCC TianGong Group Corporation Limited	China	Tianjin	Engineering contracting	98.53	-	Invested by shareholders
China 22MCC Group Co., Ltd.	China	Tangshan	Engineering contracting	100.00	-	Invested by shareholders
China ENFI Engineering Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

Details of subsidiaries of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
China Huaye Group Co., Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
CISDI Group Co., Ltd.	China	Chongqing	Design, service	100.00	-	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Engineering contracting	98.58	-	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Engineering contracting	100.00	-	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Engineering contracting	100.00	-	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Engineering contracting	69.00	-	Invested by shareholders
Shanghai Baoye Group Corp., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Ma'anshan	EPC	85.10	-	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Ma'anshan	Engineering contracting	72.39	-	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.99	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	83.08	-	Invested by shareholders
China First Metallurgical Group Co., Ltd.	China	Wuhan	Engineering contracting	93.07	-	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	92.61	-	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	China	Wuhan	Investigation, design	100.00	-	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	China	Xi'an	Metallurgy equipment manufacture	71.47	-	Invested by shareholders
MCC Mining (Western Australia) Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	-	Invested by shareholders



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

Details of subsidiaries of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC Holding (Hong Kong) Corporation Limited (i)/(ii)	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 Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	-	Established through investments
MCC South China Construction Investment Co., Ltd.	China	Shenzhen	Engineering contracting	51.00	-	Established through investments
MCC Rail Transit Co., Ltd.	China	Langfang	Engineering contracting	100.00	-	Established through investments
MCC Zhongyuan Construction Investment Co., Ltd.	China	Zhengzhou	Engineering contracting	100.00	-	Established through investments
MCC Integrated Pipe Network Technology & Development Co., Ltd.	China	Baoding	Project contracting, Integrated pipe network technology development, etc.	100.00	-	Established through investments
MCC Vietnam Engineering Technology Co., Ltd.	Vietnam	Vietnam	Engineering contracting	100.00	-	Established through investments

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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)

Notes:

- (i) Except for the Company, MCC Holding (Hong Kong) Corporation Limited (the "MCC Hong Kong"), and MCC Real Estate Group Co., Ltd., other subsidiaries have not issued any bonds. None of the subsidiaries of the Company have issued share capital.
- (ii) MCC Hong Kong, one of the Company's subsidiary, issued overseas perpetual bonds on 2 May 2018 with no fixed redemption dates. Such bond would be perpetual until MCC Hong Kong exercised the option of redemption. MCC Hong Kong may, at its sole discretion, choose to delay the payments of the current interest and all deferred interests together with their yields to the following payment date, without any restriction on times of delayed payments of interests.

During the 3-month period ending on the day before the relevant Distribution Payment Date, either or both of the following have occurred, MCC Hong Kong cannot delay the payments of the current interest and all deferred interests together with their yields:

- The Company or MCC Hong Kong declared to pay or paid any dividends, or interests of perpetual bonds other than the aforementioned bonds (unless all perpetual bond interests were paid on a pro rata basis);
- The Company or MCC Hong Kong redeemed perpetual bonds other than the aforementioned bonds (unless all perpetual bonds were redeemed on a pro rata basis)

Amounts received by MCC Hong Kong from issued overseas perpetual bonds are RMB3,296,390,000 in total after deducting relative transaction costs, which are recognized in other equity instruments and presented under the headline of minority interests in the consolidated financial statements.

- (a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights

(i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao Jinze Huadi Real Estate Development Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.
Beijing ENFI Environmental Protection Co., Ltd.	49.15	Signing a concerted action agreement with the other shareholder, the Group can control the investee.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Shenzhen Qianhai Public Safety Science Research Institute Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Jingjinji MCC Mingxin Infrastructure Construction Co., Ltd.	30.00	According to the agreement among shareholders, the Group can control the investee.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
Fuzhou MCC Infrastructure Investment Co., Ltd.	90.00	The other shareholder has a veto right, recognized as a joint venture.
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co.,Ltd.	90.00	The other shareholder can determine the investee's related activities, recognized as an associate.
Wuhan MCC Xianglongchuan River Construction Management Co., Ltd.	80.23	Each shareholder has a veto right, recognized as a joint venture.
Tianjin Mingjin MCC Real Estate Co., Ltd.	80.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Zhengzhou Baoye Zhicheng Pipe Network Construction and Management Co., Ltd.	80.00	Each shareholder has a veto right, recognized as a joint venture.
Zhuzhou Beihuan Dafeng Municipal Construction Co., Ltd.	80.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	70.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture. (Note IX 2(1))
Xuzhou MCC Chengdong Express Way Co., Ltd.	70.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Wuzhong City Underground Integrated Pipe Network Co.,Ltd.	66.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Yinchuan Binhe New Area Water Center Management Co., Ltd.	60.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
Beijing New Century Restaurant Co., Ltd.	60.00	Each shareholder has a veto right, recognized as a joint venture.
MCC real estate group Xianghe Mingxin Real Estate Development Co., Ltd.	60.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Xing Long County MCC Minglu Real Estate Development Co., Ltd.	60.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Guizhou Ziwang Highway Construction Co., Ltd.	59.96	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture. (Note IX 2(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 IX 2(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 IX 2(1))
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.
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	51.00	The other shareholder can determine the investee's related activities, recognized as an associate.
Zhuhai MCC Huafumingwan Real Estate Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for not forming part of consolidation scope
Zhongye Tap Water (Zhumadian) Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Lahore Xingzhong Renewable Energy Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Zhuhai MCC Jianxin Investment Management Partnership (LP)	50.99	The other shareholder can determine the investee's related activities, recognized as an associate.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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
WISDRI Engineering & Research Incorporation Limited	16.92	118,056	19,093	1,623,081
China First Metallurgical Group Co., Ltd.	6.93	35,266	8,594	1,562,596
China MCC 20 Group Co., Ltd.	31.00	124,006	3,714	1,454,880
China MCC 17 Group Co., Ltd.	27.61	166,292	37,600	1,083,964
MCC Capital Engineering & Research Incorporation Limited	11.11	47,483	40,865	564,452

- (a) Except for the situation disclosed in Note IX 1(1)(b), there is no significant difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (Continued)

#### (3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Company name	31 December 2018						31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
WISDRI Engineering & Research Incorporation Limited	13,985,118	4,861,734	18,846,852	12,149,148	195,477	12,344,625	13,659,506	4,066,878	17,726,384	11,306,741	219,244	11,524,985
China First Metallurgical Group Co., Ltd.	19,047,244	3,689,004	22,736,248	16,238,340	1,587,039	17,825,379	18,744,881	3,256,460	22,001,341	15,994,547	1,427,336	17,421,883
China MCC 20 Group Co., Ltd.	22,446,461	4,143,198	26,589,659	21,288,685	402,300	21,690,985	22,341,040	3,448,890	25,789,930	21,069,268	417,760	21,487,028
China MCC 17 Group Co., Ltd.	16,171,139	2,173,922	18,345,061	13,896,001	534,562	14,430,563	14,424,411	1,908,712	16,333,123	12,254,791	623,116	12,877,907
MCC Capital Engineering & Research Incorporation Limited	12,126,373	3,203,006	15,329,379	10,836,782	200,368	11,037,150	13,403,156	3,137,807	16,540,963	12,168,785	198,763	12,367,548

All amounts in RMB'000

Company name	Amount for the current year				Amount for the prior year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
WISDRI Engineering & Research Incorporation Limited	11,040,171	424,525	405,930	1,780,495	7,642,983	445,032	444,257	1,225,697
China First Metallurgical Group Co., Ltd.	17,674,359	468,787	485,780	952,485	15,797,332	338,391	334,100	419,792
China MCC 20 Group Co., Ltd.	21,159,448	459,177	599,488	707,290	15,541,353	175,794	163,468	864,614
China MCC 17 Group Co., Ltd.	21,365,274	602,173	595,464	625,866	17,127,636	503,146	500,162	884,070
MCC Capital Engineering & Research Incorporation Limited	9,234,804	243,300	230,097	1,090,633	7,830,466	1,339	(4,843)	1,102,533



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates

#### (1) Details of the Group's material joint ventures and associates

Name of joint ventures and associates activities	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	Qiannan Buyei and Miao Autonomous Prefecture	Highway investment and development	59.95	–	Equity method
Guizhou Sanshi Highway Construction Co., Ltd.	China	Qiandongnan Miao and Dong Autonomous Prefecture	Highway investment and development	59.90	–	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Construction and operation of comprehensive pipe network	70.00	–	Equity method
Jilin City Jicheng Hada Pipe Network Investment Operation Co., Ltd.	China	Jilin	Construction and operation of comprehensive pipe network	40.76	–	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Equipment manufacturing	50.00	–	Equity method
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	China	Yingkou	Special steel production and equipment manufacturing	48.96	–	Equity method
Nanjing Ming's Culture Co., Ltd.	China	Nanjing	Cultural transmission	49.18	–	Equity method
Shiyao Baoye Urban Construction Co., Ltd.	China	Shiyao	Municipal road construction and operation	47.98	–	Equity method
Sichuan Development National Metallurgical Construction Investment Co., Ltd.	China	Chengdu	Infrastructure investment management	40.00	–	Equity method

The Group has no significant interests in any single joint venture or associate above.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

#### (1) Details of the Group's material joint ventures and associates (Continued)

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence
- (i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Hunchun Yilianda Pipe Network Construction Management Co., Ltd.	19.90	Assigned director to the board of directors of the entity
Erlian Haote Xinye Yixin Infrastructure Construction and Operation Co., Ltd.	19.68	Assigned director to the board of directors of the entity
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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

#### (1) Details of the Group's material joint ventures and associates (Continued)

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence (Continued)
- (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 (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Kunming MCC Urban Construction Co., Ltd.	15.00	Assigned director to the board of directors of the entity
Jiangxi Shangshu Jiasheng City & Town Construction Development Co., Ltd.	15.00	Assigned director to the board of directors of the entity
Qingyang Longjie sponge city construction management and Operation Co., Ltd.	15.00	Assigned director to the board of directors of the entity
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Assigned director to the board of directors of the entity
Changchun Runde Construction Project Management Co., Ltd.	13.54	Assigned director to the board of directors of the entity
Changji City Haichang Project Management Co., Ltd.	13.00	Assigned director to the board of directors of the entity
Shangqiu City Tiangong Engineering Management Co., Ltd.	12.00	Assigned director to the board of directors of the entity
Leshan City Legao Urban Construction Engineering Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanchong Shunjian Urban Construction Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanchong Shunye Investment and Development Co.,Ltd.	10.00	Assigned director to the board of directors of the entity
Jianyang MCC Xiongzhou City Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

#### (1) Details of the Group's material joint ventures and associates (Continued)

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence (Continued)
- (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 (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jianyang Zhongye Tianshun Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Foshan Jianxin Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Zhangpu Chengye Construction Investment Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Mianyang MCC Three Highway Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Xingtai Runhe Project Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Ya'an Tianshun Kunye Project Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Renqiu MCC Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jianyang Tianshun Traffic Investment Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Huidong County Gaotan Revolutionary Old Area Construction Investment Co., Ltd.	10.00	Assigned director to the board of directors of the entity



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

#### (1) Details of the Group's material joint ventures and associates (Continued)

- (a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence (Continued)
- (ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Tangshan Stainless Steel Co., Ltd.	23.89	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Shanghai Clear Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Shaanxi Sanjin Mining Holdings Co., Ltd.	20.00	

#### (2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	31 December 2018/ amount recognized in the current year	31 December 2017/ amount recognized in the prior year
<b>Joint ventures:</b>		
Total carrying amount	4,930,847	1,320,666
The Group's share of the following items:		
– Net profit	(67,576)	(48,079)
– Other comprehensive income	(40)	–
– Total comprehensive income	(67,616)	(48,079)
<b>Associates:</b>		
Total carrying amount	8,924,008	3,842,819
The Group's share of the following items:		
– Net profit	38,323	(71,038)
– Other comprehensive income	45	–
– Total comprehensive income	38,368	(71,038)

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 2. Interests in joint ventures and associates (Continued)

(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 31 December 2018 and 31 December 2017 are as follows:

All amounts in RMB'000

	31 December 2018	31 December 2017
<b>Total borrowings:</b>		
Short-term borrowings (Note VII 23)	47,809,316	39,425,855
Long-term borrowings (inclusive of those due within one year) (Note VII 33)	36,901,048	35,043,736
Bonds payable (inclusive of those due within one year) (Note VII 34)	9,412,091	13,290,675
Long term finance lease payables (inclusive of those due within one year) (Note VII 35)	390,714	545,097
Less: Cash and cash equivalents (Note VII 64(3))	33,151,002	36,464,134
Net debt	61,362,167	51,841,229
Shareholders' equity	102,669,444	97,320,481
Total capital	164,031,611	149,161,710
The gearing ratio	37.41%	34.76%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management

The Group's operating activities expose to a variety of financial risks: market risk (mainly including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

#### (1) Market risk

##### (a) Foreign exchange risks

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 31 December 2018 are set out in Note VII 66.

Mainly influenced by the exchange rate of RMB against USD for the variety of foreign currencies of financial assets and financial liabilities, as at 31 December 2018, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group the year ended 31 December 2018 would have been approximately RMB9,185,000 higher/lower (as at 31 December 2017: RMB320,568,000 lower/higher).

##### (b) Interest rate risk

(i) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI 8.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## 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) The interest bearing debts at floating rates expose the Group to cash flow interest-rate risk. The Group chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. As at 31 December 2018, short-term borrowings of the Group were amounting to RMB47,809,316,000 (as at 31 December 2017: RMB39,425,855,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB3,586,588,000 (as at 31 December 2017: RMB4,791,201,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB14,277,926,000 (as at 31 December 2017: RMB11,453,964,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB10,632,433,000 (as at 31 December 2017: RMB13,253,301,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB18,206,906,000 (as at 31 December 2017: RMB19,381,042,000) (Notes VII 23, 31, 33, 34, 35).

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For the current reporting year and the 2017 financial year, the Group has not involved in any interest rate swap arrangements.

During the current year, if the respective interest rates on RMB-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the year ended 31 December 2018 would have been RMB450,256,000 lower/higher (for the year ended 31 December 2017: approximately RMB351,893,000).

During the current year, if the interest rates on USD and other currency-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the year ended 31 December 2018 would have been RMB72,399,000 lower/higher (for the year ended 31 December 2017: approximately RMB57,371,000).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (2) Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from: the carrying amount of the respective recognized bank deposits, bills receivable and accounts receivable, contract assets, other receivables and long-term receivables in the balance sheet of the Group.

To reduce credit risk, the Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

The credit risk on the bank deposits of the Group are limited because they are deposited with national banks and other large and medium listing banks.

In addition, external guarantees incurred by the Group may also result in financial losses. As at 31 December 2018, the Group's external guarantee refers to Note XIII 2(1)(b).

Please refer to Note V10(2) in respect of the specific methods to assess whether the credit risk has been increased remarkably since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly. For the changes in the book value and bad debt provision of bills receivable and accounts receivable of the Group, refer to note VII 4(2)(b), VII 4(2)(d) and note VII 4(3)(c), changes in the book value and bad debt provision of other receivables, refer to note VII 6(4)(b), changes in the book value and bad debt provision of long-term receivables, refer to note VII 11(2), and for the changes in the book value and bad debt provision of the contract assets, refer to Note VII8(2).

The Group's risk exposure is distributed among multiple contract parties and multiple customers, so the Group has no significant credit concentration risk. As of December 31, 2018, the top five accounts receivable and other receivables of the Group's balances owed by the arrears is shown in Note VII4(3)(d), Note VII6(4)(d).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

### 2. Financial instruments and risk management (Continued)

#### (3) Liquidity risk

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

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 31 December 2018 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
<b>Financial assets</b>					
Cash and bank balances	44,477,302	-	-	-	44,477,302
Derivative financial assets	2,365	-	-	-	2,365
Bills and accounts receivable	87,394,440	-	-	-	87,394,440
Other receivables	57,266,886	-	-	-	57,266,886
Non-current assets within a year	3,588,671	-	-	-	3,588,671
Long-term receivables	107,836	7,460,962	8,893,808	5,344,369	21,806,975
Total	192,837,500	7,460,962	8,893,808	5,344,369	214,536,639
<b>Financial liabilities</b>					
Short-term borrowings	48,955,942	-	-	-	48,955,942
Derivative financial liabilities	496	-	-	-	496
Bills and accounts payable	141,011,898	-	-	-	141,011,898
Other payables	23,835,766	-	-	-	23,835,766
Non-current liabilities within a year	14,691,076	-	-	-	14,691,076
Long-term borrowings	1,172,340	9,054,078	12,632,544	5,472,863	28,331,825
Bonds payable	283,449	7,045,001	1,752,003	-	9,080,453
Long-term payables	94,155	406,174	96,664	451,076	1,048,069
Total	230,045,122	16,505,253	14,481,211	5,923,939	266,955,525

#### (4) Transfer of financial assets

Details are set out in Note VII 4(2)(c) and VII 4(3)(e).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## XI. FAIR VALUE MEASUREMENTS

### 1. Fair value of the Group's financial assets and financial liabilities that are measured at fair value at the end of the year

All amounts in RMB'000

Items	Fair value at 31 December 2018			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss	1,124,150	4,186,882	30,107	5,341,139
1. Held-for-trading financial assets	1,124,150	–	–	1,124,150
(1) Monetary fund	1,123,211	–	–	1,123,211
(2) Investment in equity instruments	939	–	–	939
2. Other non-current financial assets	–	4,184,517	30,107	4,214,624
(1) Investment in equity instruments	–	–	30,107	30,107
(2) Investment in unquoted fund product	–	4,184,517	–	4,184,517
3. Derivative financial assets	–	2,365	–	2,365
(II) Other equity instruments investment	396,680	–	1,471,284	1,867,964
<b>Total assets that are measured at fair value on a recurring basis</b>	<b>1,520,830</b>	<b>4,186,882</b>	<b>1,501,391</b>	<b>7,209,103</b>
(III) Trading financial liabilities	–	496	–	496
1. Derivative financial liabilities	–	496	–	496
<b>Total liabilities that are measured at fair value on a recurring basis</b>	<b>–</b>	<b>496</b>	<b>–</b>	<b>496</b>

### 2. The basis of market prices determined on level 1 of the fair value hierarchy

Held-for-trading financial assets and other equity instruments are based on their closing prices of publicly traded market on the last trading day of the reporting period.

### 3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

	Valuation techniques	Key inputs
Other non-current financial assets – Investment in unquoted fund product	Discounted cash flow method	Average yield rate of similar products of the same term
Derivative financial instruments	Discounted cash flow method	The forward rate

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## XI. FAIR VALUE MEASUREMENTS (CONTINUED)

### 4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

	Valuation techniques	Key inputs
Other equity instrument investments- Investment in unquoted equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry
Other non-current financial assets- Investment in equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry

### 5. Reconciliation information of the opening balance and the closing balance on level 3 of the fair value hierarchy

All amounts in RMB'000

Item	1 January 2018	Additions in investments for the year	Fair value changes that recognized in other comprehensive income for the year	Disposal of investments for the year	31 December 2018
Other equity instrument investments-Investment in unquoted fund product	1,433,134	7,933	35,187	(4,970)	1,471,284
Other non-current financial assets- Investment in equity instruments	-	30,107	-	-	30,107

### 6. There was no transfer between any levels of the fair value hierarchy in the reporting period.

### 7. There was no change in the valuation techniques in the reporting period.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

## XI. FAIR VALUE MEASUREMENTS (CONTINUED)

### 8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis

Bills and accounts receivables, other receivables, long-term receivables, non-current assets due within one year, short-term borrowings, bills and accounts payables, other payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are measured at fair value on a non-recurring basis.

Except for the items listed in the table below, the Group considers that the fair value of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Fair value as at 31 December 2018				Total
	Carrying amount as at 31 December 2018	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:	18,027,401	–	18,091,020	–	18,091,020
1. Long-term borrowings at fixed interest rate	9,515,310	–	9,517,704	–	9,517,704
2. Bonds payable at fixed interest rate	8,512,091	–	8,573,316	–	8,573,316

All amounts in RMB'000

	Fair value as at 31 December 2017				Total
	Carrying amount as at 31 December 2017	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	19,103,454	–	19,259,894	–	19,259,894
1. Long-term borrowings at fixed interest rate	12,016,779	–	12,115,935	–	12,115,935
2. Bonds payable at fixed interest rate	7,086,675	–	7,143,959	–	7,143,959

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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	56.18	56.18

As stated in Note III, CMC together with its other subsidiaries other than the Company are the Group's related party.

Related party transactions between the Company and CMC together with its other subsidiaries other than the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

### 2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX1.

### 3. Principal joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in Note IX2.

Joint ventures and associates entered into transactions with the Group during the year, or during the prior year with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Guizhou Sanli Highway Construction Co., Ltd.	Joint venture
Guizhou Ziwang Highway Construction Co., Ltd.	Joint venture
Guizhou Sanshi Highway Construction Co., Ltd.	Joint venture
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	Joint venture
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Joint venture
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	Joint venture
Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	Joint venture
Jianyang MCC Xiongzhou City Development Co., Ltd.	Joint venture
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint venture
Zhuhai MCC Mingheng Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint venture

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	Joint venture
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	Joint venture
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Joint venture
Xuzhou MCC Chengdong Express Way Co., Ltd.	Joint venture
Meizhou MCC Road Construction and Development Co., Ltd.	Joint venture
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	Joint venture
Ningcheng County HongDa Mining Co., Ltd.	Joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	Joint venture
Liu'an MCC Infrastructure Construction Co., Ltd.	Joint venture
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	Joint venture
Yibin Yejian Engineering Construction Co., Ltd.	Joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	Joint venture
Tianjin Tuanbo Urban Development Co., Ltd.	Associate Relationship with the Group
Naqu Area Southern New City Integrated Pipe Network Co., Ltd.	Associate
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Associate
Ninguo Baoye Urban Construction Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Associate
Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	Associate
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associate
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
Chengde MCC Construction and Development Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Shenzhen Nuclear Power & Machine Electricity Installment and Maintenance Co., Ltd.	Associate
Qiqihaer North MCC Real Estate Co., Ltd.	Associate
Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Associate
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Associate
Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	Associate
Luzhou MCC City Construction Development Co., Ltd.	Associate
Yuechi MCC Tiantai construction Co., Ltd.	Associate
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	Associate
Ma'an Shan MCC Economic Development Company Ltd.	Associate
Bengbu MCC Jinlong Real Estate Co., Ltd.	Associate
Lu'an MCC Project Management Co., Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Chuzhou Culture Creation Construction and Development Co., Ltd.	Associate
Zhengzhou Huipu Urban and Rural Construction Co., Ltd.	Associate

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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
Binzhou City Tiangong Tiehan Infrastructure Construction Co., Ltd.	Associate
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associate
Tianjin MCC Jinyu Real Estate Co., Ltd.	Associate
Tianjin MCC Jincheng Real Estate Co., Ltd.	Associate
Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	Associate
Renqiu MCC Infrastructure Construction Co., Ltd.	Associate
Hohhot Xintianjing Construction Co., Ltd.	Associate
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Associate
Sichuan HangYe Industrial Co., Ltd.	Associate
Nanchong Shunjian Urban Construction Management Co., Ltd.	Associate
Shanghai MCC Jiahe Real Estate Co., Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Associate
Baiyin Integrated Pipe Network Management Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Huangshi MCC Infrastructure Construction Co., Ltd.	Associate
Wuhan Hanwei Refining Engineering Co., Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
MCC Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate
Panzhuhua MCC Urban Construction Development Co., Ltd.	Associate
Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Jiayang Zhongye Tianshun Construction Co., Ltd.	Associate
Chongqing Beifei Shiping Infrastructure Construction Co., Ltd.	Associate
Nanchong Shunye Investment and Development Co., Ltd.	Associate Relationship with the Group
Kunming MCC Urban Construction Co., Ltd.	Associate
Wenzhou Huiye Construction and Investment Co., Ltd.	Associate
Henan Huitai Urban & Rural Construction Co., Ltd.	Associate
Sichuan Developing Shuoou Construction Engineering Co., Ltd.	Associate
Jiangsu Rongyu Construction Development Co., Ltd.	Associate
Nanning City Guoye Infrastructure Construction Investment Co., Ltd.	Associate
Lankao Zhongpu Investment and Management Co., Ltd.	Associate
Changzhi Zhonghui Three Pavilion One Garden Construction Co., Ltd.	Associate
Wuhai MCC Futai Construction Co., Ltd.	Associate
Yinchuan City Mancheng Street Underground Integrated Pipe Network Construction Management Co., Ltd.	Associate
Ya'an Tianshun Kunye Project Management Co., Ltd.	Associate
Xiaogan Xinyecheng Integrated Pipe Network Construction Investment Co., Ltd.	Associate
Fuzhou Cangshan Zhongmin Sangcheng Water Environment Technology Co., Ltd.	Associate
Huidong County Gaotan Revolutionary Old Area Construction Investment Co., Ltd.	Associate
Fuzhou Jin 'an Zhongmin Sangcheng Water Environment Technology Co., Ltd.	Associate



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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
Bijie Xinye Municipal Engineering Co., Ltd.	Associate
Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	Associate
Leshan City Legao Urban Construction Engineering Co., Ltd.	Associate
Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	Associate
Puyang Jinhe Construction Engineering Co., Ltd.	Associate
Shiyan Baoye Urban Construction Co., Ltd.	Associate

### 4. Other related parties of the Group

Other related parties entered into transactions with the Group during the year, or during the prior year with 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 Ruimu Amperex Technology Limited	Under common control by CMGC
Subsidiaries of China Minmetals Corporation	
Beijing Haide Ruixiang Asset Management Co., Ltd. <i>(note)</i>	Under common control by CMC
Beijing China Metallurgical Construction Taxi Company <i>(note)</i>	Under common control by CMC
Beijing Dongxing Metallurgical New – Tech & Development Corp. <i>(note)</i>	Under common control by CMC
Handan Huaye Property Services Co., Ltd. <i>(note)</i>	Under common control by CMC
Minmetals Steel Co., Ltd.	Under common control by CMC
Minmetals Steel Wuhan Limited Company	Under common control by CMC
Minmetals Steel Beijing Co., Ltd.	Under common control by CMC
Minmetals Steel Chengdu Co., Ltd.	Under common control by CMC
Minmetals Steel Guangzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Hangzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Lanzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Qingdao Co., Ltd.	Under common control by CMC
Minmetals Steel Xiamen Co., Ltd.	Under common control by CMC
Minmetals Steel Shanghai Co., Ltd.	Under common control by CMC
Minmetals Steel Tianjin Co., Ltd.	Under common control by CMC
Minmetals steel Xi'an Co., Ltd.	Under common control by CMC
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Under common control by CMC
Minmetals Construction (Yingkou) Hengfu Property Co., Ltd.	Under common control by CMC
Minmetals Yanhu Co., Ltd	Under common control by CMC
Minmetals Yingkou Medium Plate Co., Ltd.	Under common control by CMC
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control by CMC
Kuangjin Real Estate Nanjing Co., Ltd.	Under common control by CMC
Zhuzhou Smelter Group Co., Ltd.	Under common control by CMC
The 23rd Metallurgical Construction 2nd Engineering Group Co., Ltd. of Minmetals	Under common control by CMC
Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	Under common control by CMC
Hunan Huangshaping Lead – Zinc Mine	Under common control by CMC
Minmetals International Engineering Technology Co., Ltd.	Under common control by CMC

*Note:* Beijing Haide Ruixiang Asset Management Co., Ltd. (original name: MCC Group Asset Management Co., Ltd.) and its subsidiaries were transferred from CMGC to CMC in 19 November 2018. After being changed, they were under common control by CMC with the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions

#### (1) Purchase or sales of goods, provision or receipt of services

##### (a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Transactions of companies under common control by CMC (Note):		<b>6,719,633</b>	4,819,242
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	<b>2,553,833</b>	1,548,581
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	<b>707,382</b>	347,381
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	<b>555,195</b>	169,504
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Receiving services	<b>537,281</b>	822
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	<b>447,368</b>	319,803
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	<b>433,675</b>	647,660
Minmetals steel Xi'an Co., Ltd.	Purchase of goods	<b>344,935</b>	93,777
Minmetals Steel Wuhan Limited Company	Purchase of goods	<b>301,695</b>	390,177
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	<b>169,531</b>	231,918
Minmetals Steel Qingdao Co., Ltd.	Purchase of goods	<b>135,952</b>	142,970
Minmetals Steel Co., Ltd.	Purchase of goods	<b>107,399</b>	4,123
Others	Purchase of goods and Receiving services	<b>425,387</b>	922,526
Transactions with joint ventures and associates:		<b>456,932</b>	808,118
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Receiving services	<b>82,352</b>	619,568
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods	<b>74,770</b>	14,641
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Receiving services	<b>65,530</b>	-
Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	Purchase of goods	<b>54,004</b>	-
Shenzhen Nuclear Power & Machine Electricity Installment and Maintenance Co., Ltd.	Purchase of goods	<b>39,663</b>	491
Wuhan Hanwei Refining Engineering Co., Ltd.	Purchase of goods	<b>29,815</b>	5,354
Others	Purchase of goods and Receiving services	<b>110,798</b>	168,064
Total		<b>7,176,565</b>	5,627,360

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (1) Purchase or sales of goods, provision or receipt of services (Continued)

##### (b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
With companies under common control by CMGC (note) :		<b>1,501,399</b>	20,091
MCC Ruimu Amperex Technology Limited	Providing services	<b>1,501,399</b>	20,091
With companies under common control by CMC (note) :		<b>2,771,879</b>	886,406
Zhuzhou Smelter Group Co., Ltd.	Providing services	<b>1,490,755</b>	–
Minmetals Yanhu Co. Ltd	Selling goods and Providing services	<b>355,604</b>	413,878
Minmetals Yingkou Medium Plate Co., Ltd.	Selling goods and Providing services	<b>347,457</b>	11,034
Minmetals Construction (Yingkou) Hengfu Property Co., Ltd.	Providing services	<b>127,677</b>	–
Kuangjin Real Estate Nanjing Co., Ltd.	Providing services	<b>116,110</b>	–
Others	Selling goods and Providing services	<b>334,276</b>	461,494
Transactions with joint ventures and associates:		<b>42,973,819</b>	25,997,215
Yibin Yejian Engineering Construction Co., Ltd.	Providing services	<b>1,646,603</b>	–
Nanchong Shunjian Urban Construction Management Co., Ltd.	Providing services	<b>1,301,769</b>	321,862
Guizhou Ziwang Highway Construction Co., Ltd.	Providing services	<b>1,290,495</b>	2,091,628
Hohhot Xintianjing Construction Co., Ltd.	Providing services	<b>1,233,013</b>	1,298,641
Guizhou Sanli Highway Construction Co., Ltd.	Providing services	<b>1,156,739</b>	1,670,947
Nanchong Shunye Investment and Development Co., Ltd.	Providing services	<b>1,123,427</b>	471,934
Henan Huitai Urban & Rural Construction Co., Ltd.	Providing services	<b>1,067,210</b>	–
Si County MCC construction Investment Co., Ltd.	Providing services	<b>1,036,026</b>	451,538
Guizhou Sanshi Highway Construction Co., Ltd.	Providing services	<b>740,147</b>	1,126,140

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (1) Purchase or sales of goods, provision or receipt of services (Continued)

##### (b) Sales of goods and provision of services (Continued)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Liuan MCC Infrastructure Construction Co., Ltd.	Providing services	731,555	–
Chuzhou Culture Creation Construction and Development Co., Ltd.	Providing services	679,053	3
Sichuan Developing Shuoou Construction Engineering Co., Ltd.	Providing services	678,650	–
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Providing services	656,625	–
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Providing services	656,466	116,946
Jiangsu Rongyu Construction Development Co., Ltd.	Providing services	646,322	–
Suining Kaihong Construction Development Co., Ltd.	Providing services	583,930	175,182
Nanning City Guoye Infrastructure Construction Investment Co., Ltd.	Providing services	520,515	–
Zhengzhou Huipu Urban and Rural Construction Co., Ltd.	Providing services	511,830	–
Tianjin MCC Jincheng Real Estate Co., Ltd.	Providing services	505,924	218,800
Lu'an MCC Project Management Co., Ltd.	Providing services	505,779	–
Ninguo Baoye Urban Construction Co., Ltd.	Providing services	500,150	134,231
Leshan City Legao Urban Construction Engineering Co., Ltd.	Providing services	494,921	–
Lankao Zhongpu Investment and Management Co., Ltd.	Providing services	492,570	–
Changzhi Zhonghui Three Pavilion One Garden Construction Co., Ltd.	Providing services	485,982	–
Chongqing Beifei Shiping Infrastructure Construction Co., Ltd.	Providing services	477,382	212,155
Wuhai MCC Futai Construction Co., Ltd.	Providing services	474,624	–
Luzhou MCC City Construction Development Co., Ltd.	Providing services	435,772	383,283
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Providing services	409,564	314,010
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	Providing services	398,189	231,102



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (1) Purchase or sales of goods, provision or receipt of services (Continued)

##### (b) Sales of goods and provision of services (Continued)

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Xuzhou MCC Chengdong Express Way Co., Ltd.	Providing services	396,040	70,515
Huangshi MCC Infrastructure Construction Co., Ltd.	Providing services	395,804	108,076
Yinchuan City Mancheng Street Underground Integrated Pipe Network Construction Management Co., Ltd.	Providing services	383,100	–
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	Providing services	381,798	388,598
Kunming MCC Urban Construction Co., Ltd.	Providing services	374,692	331,568
Baiyin Integrated Pipe Network Management Co., Ltd.	Providing services	367,617	719,529
Binzhou City Tiangong Tiehan Infrastructure Construction Co., Ltd.	Providing services	357,451	24,050
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	Providing services	355,831	–
Ya'an Tianshun Kunye Project Management Co., Ltd.	Providing services	352,389	–
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Providing services	347,499	190,014
Wenzhou Huiye Construction and Investment Co., Ltd.	Providing services	332,675	–
Tianjin MCC Jinyu Real Estate Co., Ltd.	Providing services	322,922	221,500
Panzhuhua MCC Urban Construction Development Co., Ltd	Providing services	315,671	302,195
Xiaogan Xinyecheng Integrated Pipe Network Construction Investment Co., Ltd.	Providing services	302,201	–
Tianjin Mingjin MCC Real Estate Co., Ltd.	Providing services	300,023	41,000
Others	Selling goods and providing services	16,246,874	14,381,768
<b>Total</b>		<b>47,247,097</b>	<b>26,903,712</b>

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (2) Lease

##### (a) As lessor

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized in the current year	Leasing income recognized in the prior year
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	215	136
Total		215	136

##### (b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Leasing expense recognized in the current year	Leasing expense recognized in the prior year
China Metallurgical Group Corporation (note)	Buildings and structures	34,900	33,815
Beijing Dongxing Metallurgical New-Tech & Development Corp. (note)	Buildings and structures	8,875	8,128
Handan Huaye Property Services Co., Ltd. (note)	Buildings and structures	2,478	–
Beijing Haide Ruixiang Asset Management Co., Ltd. (note)	Buildings and structures	328	557
Total		46,581	42,500

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (3) Guarantee

##### (a) Grant guarantee

As at 31 December 2018, the Group has provided no guarantees for its related parties

##### (b) Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at the end of the year
China Metallurgical Group Corporation	1,501,860	2017-05-05	2020-05-04	No

#### (4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Borrowing				
None				
Lending				
Yibin Yejian Engineering Construction Co., Ltd.	428,757	01/01/2018	30/11/2018	General borrowings
Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	151,000	01/01/2018	31/12/2019	General borrowings
Jiangsu Rongyu Construction Development Co., Ltd.	400,000	12/01/2018	29/12/2018	General borrowings
Huidong County Gaotan Revolutionary Old Area Construction Investment Co., Ltd.	100,000	06/02/2018	26/10/2018	General borrowings
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	108,000	20/03/2018	20/03/2019	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	1,541,046	20/06/2018	19/09/2018	General borrowings
Guangzhou MCC Mingjie Real Estate Co., Ltd.	178,480	20/06/2018	Indefinite expiry date	General borrowings
MCC Ruimu Amperex Technology Limited (note)	50,000	29/06/2018	28/06/2019	General borrowings

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (4) Loans from/to related parties (Continued)

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
MCC Ruimu Amperex Technology Limited ( <i>Note</i> )	300,000	29/08/2018	21/05/2021	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	2,799,449	02/07/2018	Indefinite expiry date	General borrowings
Guangzhou MCC Mingjie Real Estate Co., Ltd.	643,138	03/07/2018	Indefinite expiry date	General borrowings
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	189,507	05/07/2018	Indefinite expiry date	General borrowings
Renqiu MCC Infrastructure Construction Co., Ltd.	100,000	16/07/2018	16/07/2019	General borrowings
MCC Ruimu Amperex Technology Limited ( <i>Note</i> )	100,000	19/07/2018	18/07/2019	General borrowings
Zhuhai MCC Mingheng Real Estate Co., Ltd.	2,422,833	25/07/2018	Indefinite expiry date	General borrowings
Jiangsu Rongyu Construction Development Co., Ltd.	500,000	25/07/2018	25/07/2023	General borrowings
Tianjin Mingjin MCC Real Estate Co., Ltd.	236,100	25/07/2018	Indefinite expiry date	General borrowings
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	2,111,810	27/08/2018	Indefinite expiry date	General borrowings
Wuhan Zhong Yi Investment Construction Company Ltd.	210,000	30/08/2018	Indefinite expiry date	General borrowings
Jianyang MCC Xiongzhou City Development Co., Ltd.	542,400	05/09/2018	05/09/2019	General borrowings
Guangzhou MCC Minghui Real Estate Co., Ltd.	2,631,434	17/09/2018	Indefinite expiry date	General borrowings
Hu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	127,300	17/09/2018	01/01/2019	General borrowings
Puyang Jinhe Construction Engineering Co., Ltd.	165,000	21/09/2018	21/09/2019	General borrowings
MCC Ruimu Amperex Technology Limited ( <i>Note</i> )	250,000	24/10/2018	23/10/2019	General borrowings
Others	1,232,334	/	/	General borrowings
<b>Total</b>	<b>17,518,588</b>			

*Note:* These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.35% to 10.00%.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel

Key management include director (executive director and non-executive director), supervisor, president, vice president, board secretary and chief accountant. Compensation as employee services paid or to be paid to key management personnel is as follows:

*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	6,132	5,205
Pension scheme contributions	437	447
Discretionary bonus	3,501	3,427
Total	<b>10,070</b>	9,079

#### (a) Directors' and supervisors' remunerations

*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	1,960	2,059
Pension scheme contributions	124	161
Discretionary bonus	717	1,255
Total	<b>2,801</b>	3,475

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2018 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
<b>Executive Directors</b>				
Guo Wen Qing (i)	-	-	-	-
Zhang Zhao Xiang (i)	-	-	-	-
<b>Non-executive Director</b>				
Jing Tian Liang	144	-	-	144
<b>Independent Non-executive Directors</b>				
Yu Hai Long	172	-	-	172
Ren Xu Dong	160	-	-	160
Chen Jia Qiang	166	-	-	166
<b>Employee Representative Director</b>				
Lin Jin Zhen	485	55	510	1,050
<b>Supervisors</b>				
Yan Ai Zhong	672	55	134	861
Peng Hai Qing(i)	-	-	-	-
Shao Bo	161	14	73	248
<b>Total</b>	<b>1,960</b>	<b>124</b>	<b>717</b>	<b>2,801</b>

(i) Guo Wenqing, Zhang Zhaoxiang started to work in CMC in July 2016, and Peng Haiqing started to work in CMC in April 2017, since when their personal relationship had been transferred to CMC, and they had not received any compensation in the Group in 2018.

(ii) Shao Bo started to work in CMC in April 2018, since when his personal relationship had been transferred to CMC, and the above compensation disclosure period is from January to March 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (a) Directors' and supervisors' remunerations (Continued)

Compensations for directors and supervisors respectively for the year ended 31 December 2017 were as follows:

All amounts in RMB'000

	Salaries, housing benefits, other allowances and benefits in kind	Pension scheme contributions	Discretionary bonus	Total
<b>Executive Directors</b>				
Guo Wen Qing (i)	-	-	-	-
Zhang Zhao Xiang (i)	-	-	-	-
<b>Non-executive Director</b>				
Jing Tian Liang	119	-	-	119
<b>Independent Non-executive Directors</b>				
Yu Hai Long	148	-	-	148
Ren Xu Dong	136	-	-	136
Chen Jia Qiang	142	-	-	142
<b>Employee Representative Director</b>				
Lin Jin Zhen	477	50	418	945
<b>Supervisors</b>				
Yan Ai Zhong	440	50	434	924
Peng Hai Qing(ii)	127	11	49	187
Shao Bo	470	50	354	874
Total	2,059	161	1,255	3,475

(i) Guo Wenqing, Zhang Zhaoxiang started to work in CMC in July 2016 since when their personal relationship had been transferred to CMC, and they had not received any compensation in the Group in 2017.

(ii) Peng Haiqing started to work in CMC in April 2017, since when their personal relationship had been transferred to the CMC. The period for the compensation disclosed above is from January 2017 to March 2017.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 5. Related party transactions (Continued)

#### (5) Compensation of key management personnel (Continued)

##### (a) Directors' and supervisors' remunerations (Continued)

The compensations disclosed above mainly contained remuneration for management of affairs of the Company and the Group. Discretionary bonus is determined by management based on the performance of directors and supervisors and the Group's operating performance.

During both years, none of the directors, chief executives or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors, chief executives or supervisors as an inducement to join or upon joining the Group or as compensation for loss of office.

##### (b) Five highest paid individuals' remunerations

None of the Directors and Supervisors as disclosed in the note above was included in the five highest paid individuals of the Group. The five individuals whose remunerations were the highest in the Group during the year are as follows:

*All amounts in RMB'000*

Items	Amount for the current year	Amount for the prior year
Salaries, housing benefits, other allowances and benefits in kind	2,623	2,094
Pension scheme contributions	261	234
Discretionary bonus	7,533	6,323
Total	10,417	8,651

Items	Number of individuals for the current year	Number of individuals for the prior year
Nil to HK\$1,000,000	–	–
HK\$1,000,001 to HK\$1,500,000	–	–
HK\$1,500,001 to HK\$2,000,000	–	4
HK\$2,000,001 to HK\$2,500,000	4	1
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$3,000,001 to HK\$3,500,000	–	–
Total	5	5



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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 parties	Amount for the current year	Amount for the prior year
Interest income	Zuhai MCC Mingheng Real Estate Co., Ltd.	387,333	5,685
Interest income	Guangzhou MCC Minghui Real Estate Co., Ltd.	148,218	95,597
Interest income	Tianjin MCC Mingrui Real Estate Co., Ltd.	146,194	4,111
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	106,415	1,787
Interest income	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	83,882	4,732
Interest income	Qiqihaer North MCC Real Estate Co., Ltd.	51,433	–
Interest income	Nanjing Pukou Xingbao Construction Development Co., Ltd.	40,659	5,078
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	34,821	14,795
Interest income	Hohhot Xintianjing Construction Co., Ltd.	30,833	–
Interest income	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	30,137	–
Interest income	Jiangsu Rongyu Construction Development Co., Ltd.	29,055	–
Interest income	Kunming MCC Urban Construction Co., Ltd.	21,048	9,804
Interest income	Tianjin MCC Xinhua Real Estate Co., Ltd.	18,929	–
Interest income	Tianjin SERI Machinery Equipment Corporation Ltd.	15,020	13,729
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	14,536	14,536
Interest income	MCC Ruimu Amperex Technology Limited (Note)	12,055	–
Interest income	Jianyang Zhongye Tianshun Construction Co., Ltd.	11,519	2,185
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	10,312	2,872
Interest income	Others	74,475	63,437
Total		1,266,874	238,348
Interest expenses	China Metallurgical Group Corporation (Note)	18,252	21,366
Interest expenses	China National Foreign Trade Financial & Leasing Co., Ltd. (Note)	5,699	8,754
Total		23,951	30,120

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 6. Amounts due from/due to related parties

#### (1) Receivables

All amounts in RMB'000

Items	Related parties	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Accounts receivable	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	280,128	-	116,946	-
Accounts receivable	Si County MCC construction Investment Co., Ltd.	279,269	-	276,074	-
Accounts receivable	Nanchong Shunjian Urban Construction Management Co., Ltd.	211,464	4,864	-	-
Accounts receivable	Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	210,672	-	46,303	-
Accounts receivable	Ma'anshan MCC Economic Development Company Ltd.	210,566	-	203,457	-
Accounts receivable	Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	187,025	-	176,418	-
Accounts receivable	MCC Ruimu Ampere Technology Limited	168,575	-	-	-
Accounts receivable	Ninguo Baoye Urban Construction Co., Ltd.	162,535	6,835	47,112	1,159
Accounts receivable	Leshan City Legao Urban Construction Engineering Co., Ltd.	147,226	3,504	-	-
Accounts receivable	Suining Kaihong Construction Development Co., Ltd.	145,801	-	56,921	-
Accounts receivable	Huidong County Gaotan Revolutionary Old Area Construction Investment Co., Ltd.	133,985	3,082	-	-
Accounts receivable	Bengbu MCC Jinlong Real Estate Co., Ltd.	127,294	-	160,280	-
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	121,629	2,907	118,553	5,928
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	119,986	493	113,423	6,346
Accounts receivable	Zhuhai MCC Mingheng Real Estate Co., Ltd.	119,377	-	-	-
Accounts receivable	Nanjing Pukou Xingbao Construction Development Co., Ltd.	117,674	2,565	73,903	-
Accounts receivable	Jiangsu Rongyu Construction Development Co., Ltd.	112,461	2,587	-	-
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	110,902	5,685	110,227	9,120
Accounts receivable	Chongqing Beimeng Project Management Limited Liability Company	108,526	-	4,579	-
Accounts receivable	Kunming MCC Urban Construction Co., Ltd.	103,626	-	-	-
Accounts receivable	Others	3,023,202	84,285	1,991,043	76,727
Total		6,201,923	116,807	3,495,239	99,280

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables	Zhuhai MCC Mingheng Real Estate Co., Ltd.	4,401,374	-	4,912,238	-
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	3,037,142	-	727,641	-
Other receivables	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	2,710,812	-	-	-
Other receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	2,655,387	-	-	-
Other receivables	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	2,141,947	-	-	-
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	2,116,601	-	1,718,008	-
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,900,880	445,162	1,861,453	424,553
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,601,271	-	1,314,200	-
Other receivables	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	1,572,812	-	1,425,075	-
Other receivables	Qiqihar North MCC Real Estate Co., Ltd.	1,221,510	-	1,143,448	-
Other receivables	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	1,154,698	-	-	-
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	523,561	-	509,015	-
Other receivables	Baotou MCC Real Estate Co., Ltd.	414,828	392,251	415,942	324,460
Other receivables	Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	319,254	-	-	-
Other receivables	Tianjin Mingjin MCC Real Estate Co., Ltd.	314,193	-	67,838	-
Other receivables	Jiangsu Rongyu Construction Development Co., Ltd.	308,000	13,891	-	-
Other receivables	Jianyang Zhongye Tianshun Construction Co., Ltd.	240,703	-	252,185	-
Other receivables	Hu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	229,637	-	101,359	-
Other receivables	Tianjin SERI Machinery Equipment Corporation Ltd.	228,749	228,749	213,729	133,729
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	205,580	205,580	205,580	116,642
Other receivables	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	203,783	-	60,674	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables	Yuechi MCC Tiantai construction Co., Ltd.	202,834	-	50,618	-
Other receivables	Hohhot Xintianjing Construction Co., Ltd.	188,733	13,664	265,965	13,298
Other receivables	Zhongjiang MCC Zhongjian Municipal Infrastructure Engineering Investment Co., Ltd.	172,968	-	178,982	-
Other receivables	Ningcheng County HongDa Mining Co., Ltd.	170,510	170,510	161,987	161,987
Other receivables	Puyang Jinhe Construction Engineering Co., Ltd.	165,229	-	-	-
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	159,840	-	150,996	-
Other receivables	Bazhou Ziyuan Road Investment Construction Management Co., Ltd.	159,003	-	-	-
Other receivables	Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	155,910	7,054	8,070	786
Other receivables	Si County MCC construction Investment Co., Ltd.	152,698	-	30,118	-
Other receivables	Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	147,713	-	26,022	-
Other receivables	Shanghai MCC Jiahe Real Estate Co., Ltd.	130,191	-	-	-
Other receivables	Bengbu MCC Jinlong Real Estate Co., Ltd.	126,735	-	120,041	-
Other receivables	Renju MCC Infrastructure Construction Co., Ltd.	114,826	15,942	47,000	3,450
Other receivables	Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	110,459	-	5,404	-
Other receivables	Sichuan HangYe Industrial Co., Ltd.	103,860	46,561	18,460	923
Other receivables	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	102,540	-	59,469	-
Other receivables	Others	1,450,452	89,586	2,414,602	108,900
Total		31,317,223	1,628,950	18,466,119	1,288,728



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Prepayments	Minmetals International Engineering Technology Co., Ltd.	35,158	-	49,393	-
Prepayments	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	30,374	-	-	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	29,001	-	29,688	-
Prepayments	Minmetals Steel Shanghai Co., Ltd.	28,810	-	-	-
Prepayments	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	15,332	-	-	-
Prepayments	The 23rd Metallurgical Construction 2nd Engineering Group Co., Ltd. of Minmetals	14,569	-	-	-
Prepayments	Minmetals Steel Wuhan Limited Company	13,835	-	-	-
Prepayments	Minmetals Steel Guangzhou Co., Ltd.	13,174	-	-	-
Prepayments	Others	36,457	-	112,769	-
Total		<u>216,710</u>	<u>-</u>	<u>191,850</u>	<u>-</u>
Long-term receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	700,000	-	2,300,000	-
Long-term receivables	Nanjing Pukou Xingbao Construction Development Co., Ltd.	677,250	14,161	496,700	-
Long-term receivables	MCC Ruimu Ampere Technology Limited	675,798	7,375	-	-
Long-term receivables	Suining Kaihong Construction Development Co., Ltd.	246,854	-	-	-
Long-term receivables	Chongqing Beimeng Project Management Limited Liability Company	175,290	-	175,290	-
Long-term receivables	Others	105,018	-	5,396,239	-
Total		<u>2,580,210</u>	<u>21,536</u>	<u>8,368,229</u>	<u>-</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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	31 December 2018	31 December 2017
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	90,647	123,914
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	68,507	102,138
Accounts payable	Minmetals Steel Tianjin Co., Ltd.	65,516	128,498
Accounts payable	Minmetals Steel Beijing Co., Ltd.	51,930	52,644
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	48,454	38,063
Accounts payable	Minmetals Steel Lanzhou Co., Ltd.	46,462	12,855
Accounts payable	Minmetals Steel Co., Ltd.	41,915	3,536
Accounts payable	Minmetals Steel Hangzhou Co., Ltd.	35,616	14,729
Accounts payable	Minmetals Steel Xiamen Co., Ltd.	31,660	47,327
Accounts payable	Others	256,850	489,851
Total		<b>737,557</b>	1,013,555
Other payables	Chengde MCC Construction and Development Co., Ltd.	294,728	390,000
Other payables	China Metallurgical Group Corporation	200,876	175,198
Other payables	Minmetals Steel Chengdu Co., Ltd.	170,401	109,990
Other payables	Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	159,406	151,764
Other payables	Meizhou MCC Road Construction and Development Co., Ltd.	150,000	–
Other payables	Naqu Area Southern New City Integrated Pipe Network Co., Ltd.	71,000	–
Other payables	Hunan Huangshaping Lead-Zinc Mine	70,335	–
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	68,469
Other payables	Others	221,574	3,243,674
Total		<b>1,406,789</b>	4,139,095

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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	31 December 2018	31 December 2017
Contractual liability	Leshan City Legao Urban Construction Engineering Co., Ltd.	377,008	–
Contractual liability	Minmetals Yingkou Medium Plate Co., Ltd.	330,221	2,858
Contractual liability	Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	220,068	–
Contractual liability	Fuzhou Cangshan Zhongmin Sangcheng Water Environment Technology Co., Ltd.	193,522	–
Contractual liability	Fuzhou Jin'an Zhongmin Sangcheng Water Environment Technology Co., Ltd	174,407	–
Contractual liability	Zhongshan MCC Cuicheng Street Integrated Pipe Network Co.,Ltd.	170,555	–
Contractual liability	Tangshan Caofeidian MCC Engineering Construction Co., Ltd	169,943	203,527
Contractual liability	Shiyan Baoye Urban Construction Co., Ltd.	134,758	–
Contractual liability	Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	134,112	–
Contractual liability	Bijie Xinye Municipal Engineering Co., Ltd.	118,614	–
Contractual liability	Guizhou Sanshi Highway Construction Co., Ltd.	101,952	79,564
Contractual liability	Others	697,701	888,404
Total		<b>2,822,861</b>	<b>1,174,353</b>
Long-term borrowing	China National Foreign Trade Financial & Leasing Co., Ltd.	724,237	724,237
Total		<b>724,237</b>	<b>724,237</b>
Non-current liabilities due in one year	China Metallurgical Group Corporation	78,980	–
Non-current liabilities due in one year	China National Foreign Trade Financial & Leasing Co., Ltd.	69,820	252,609
Total		<b>148,800</b>	<b>252,609</b>
Long-term payable	China Metallurgical Group Corporation	300,000	378,980
Long-term payable	China National Foreign Trade Financial & Leasing Co., Ltd.	–	69,820
Total	Related parties	<b>300,000</b>	<b>448,800</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

### 7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties but not recognized in the balance sheet were as follows:

Lease:

*All amounts in RMB'000*

Items	Related parties	31 December 2018	31 December 2017
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	484	6,005
Leases from	China Metallurgical Group Corporation	—	29,852
Total		484	35,857

## XIII. COMMITMENTS AND CONTINGENCIES

### 1. Significant Commitments

#### (1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

*All amounts in RMB'000*

Items	31 December 2018	31 December 2017
Buildings, structures and equipment	23,796,921	23,993,163
Intangible assets	4,287,019	4,292,514
Total	28,083,940	28,285,677

#### (2) Operating lease commitments

Minimum lease payments under non-cancellable operating leases:

*All amounts in RMB'000*

Items	31 December 2018	31 December 2017
Within 1 year	63,975	47,935
1 to 2 years	46,286	9,967
2 to 3 years	35,103	9,735
Over 3 years	57,670	41,058
Total	203,034	108,695



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies

#### (1) Significant contingencies at the balance sheet date

##### (a) Pending litigation or arbitration

As at 31 December 2018, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB2,792,798,000 (as at 31 December 2017: RMB2,354,838,000).

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision will be made for the above pending lawsuits if management determines the outflow of resources is not probable. As at 31 December 2018, management has made provision for pending lawsuits of RMB41,511,000 details of which are set out in NoteVII37.

##### (b) Financial guarantees given to banks

*All amounts in RMB'000*

<u>Guarantor</u>	<u>Guaranteed amount</u>
Mortgage guarantees ( <i>Note</i> )	<u>10,047,805</u>

*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.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies (Continued)

#### (1) Significant contingencies at the balance sheet date (Continued)

##### (c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013. Due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is recognised in these financial statements.

## XIV. EVENTS AFTER THE BALANCE SHEET DATE

### 1. Profit distribution

According to the decision of the second meeting of the third term of the Board of Directors of the Company, the Company proposed to distribute cash dividend of RMB0.70 (tax inclusive) for every 10 shares held by the shareholders, which amounted to RMB1,450,653,000. The total number of shares of the Company was 20,723,620,000 as at 31 December 2018. The dividend distribution is subject to the approval by the shareholders at the upcoming annual Shareholders meeting.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XV. OTHER SIGNIFICANT ITEMS

### 1. Segment information

#### (1) *Accounting policies of the segment*

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

Operating segment is a component of the Group which satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the balance sheet, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 1. Segment information (Continued)

#### (2) Summarized financial information of reporting segment

(a) Segment information for the year ended 2018 and as at 31 December 2018

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	258,330,923	22,870,252	6,988,417	5,282,909	3,667,274	-	(7,605,252)	289,534,523
Including: Revenue from external customers	253,223,397	22,125,622	6,385,764	5,220,945	2,578,795	-	-	289,534,523
Revenue between segments	5,107,526	744,630	602,653	61,964	1,088,479	-	(7,605,252)	-
Operating costs	231,142,277	16,356,370	6,148,745	3,530,708	3,093,268	-	(7,149,402)	253,121,966
Including: External costs	226,339,435	15,690,679	5,557,811	3,529,814	2,004,227	-	-	253,121,966
Costs between segments	4,802,842	665,691	590,934	894	1,089,041	-	(7,149,402)	-
Operating profit	5,355,978	4,154,853	110,624	300,368	543,744	(243,573)	(389,980)	9,832,014
Including: Interest income	843,132	856,088	37,234	15,486	1,039,009	-	(726,967)	2,063,982
Interest expenses	3,174,024	745,716	44,078	529,214	759,667	-	(726,967)	4,525,732
Investment income from associates and joint ventures	(26,194)	29,103	-	-	(1,052)	-	-	1,857
Non-operating income	322,591	53,854	25,193	41,243	6,985	-	-	449,866
Non-operating expenses	640,407	57,646	39,559	4,598	15,226	-	-	757,436
Total profit/(loss)	5,038,162	4,151,061	96,258	337,013	535,503	(243,573)	(389,980)	9,524,444
Income tax expense	748,173	956,318	49,496	84,805	115,045	-	-	1,953,837
Net profit/(loss)	4,289,989	3,194,743	46,762	252,208	420,458	(243,573)	(389,980)	7,570,607
Assets	321,127,986	108,477,535	14,008,040	19,065,275	49,347,710	5,152,432	(78,263,135)	438,915,843
Including: Long-term equity investments in associates and joint ventures	12,945,729	899,925	-	69	9,132	-	-	13,854,855
Non-current assets	38,629,845	6,295,225	4,356,268	13,080,148	14,576,224	-	(10,298,140)	66,639,570
Liabilities	260,953,390	84,202,395	10,879,884	20,861,702	35,455,276	111,387	(76,217,635)	336,246,399
Depreciation and amortization expenses	1,667,892	123,254	308,927	713,918	125,144	-	-	2,939,135
Assets impairment losses and credit impairment losses	3,539,583	269,513	(28,487)	46,274	9,605	-	-	3,836,488
Increase in other non-current assets other than long-term equity investments	5,120,838	234,973	96,995	222,477	8,877	-	-	5,684,160



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 1. Segment information (Continued)

#### (2) Summarized financial information of reporting segment (Continued)

##### (b) Segment information for the year ended 2017 and as at 31 December 2017

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	208,612,860	24,914,457	6,254,959	5,664,790	3,952,305	-	(5,399,507)	243,999,864
Including: Revenue from external customers	205,076,221	24,793,796	5,516,361	5,655,817	2,957,669	-	-	243,999,864
Revenue between segments	3,536,639	120,661	738,598	8,973	994,636	-	(5,399,507)	-
Operating costs	185,356,908	18,728,926	5,682,379	4,045,439	3,527,529	-	(5,288,876)	212,052,305
Including: External costs	181,878,461	18,626,995	4,958,283	4,038,154	2,550,412	-	-	212,052,305
Costs between segments	3,478,447	101,931	724,096	7,285	977,117	-	(5,288,876)	-
Operating profit/(loss)	5,530,838	3,576,281	(676,279)	234,625	421,566	(241,444)	(66,468)	8,779,119
Including: Interest income	345,314	205,402	33,077	13,602	933,063	-	(529,399)	1,001,059
Interest expenses/(loss)	1,996,373	321,524	130,007	451,732	785,998	-	(529,399)	3,156,235
Investment income from associates and joint ventures	31,250	16,625	-	-	434	-	-	48,309
Non-operating income	292,394	69,409	64,390	6,121	6,322	-	-	438,636
Non-operating expenses	99,699	70,744	49,237	21,774	1,615	-	-	243,069
Total profit/(loss)	5,723,533	3,574,946	(661,126)	218,972	426,273	(241,444)	(66,468)	8,974,686
Income tax expense	1,026,254	1,048,190	27,566	1,626	159,196	-	-	2,262,832
Net profit/(loss)	4,697,279	2,526,756	(688,692)	217,346	267,077	(241,444)	(66,468)	6,711,854
Assets	299,848,111	110,275,661	14,539,636	18,686,140	38,579,860	4,585,699	(71,949,933)	414,565,174
Including: Long-term equity investments in associates and joint ventures	8,091,504	813,849	-	65	10,648	-	-	8,916,066
Non-current assets	33,162,648	4,164,166	4,861,653	13,191,863	16,929,980	-	(12,611,453)	59,698,857
Liabilities	242,976,432	80,222,318	10,749,263	19,392,409	33,539,731	184,035	(69,819,495)	317,244,693
Depreciation and amortization expenses	1,594,650	95,689	328,704	869,749	106,682	-	-	2,995,474
Assets impairment losses	2,634,007	664,732	451,906	151,109	6,874	-	-	3,908,628
Increase in other non-current assets other than long-term equity investments	3,589,517	892,890	137,815	298,336	59,034	-	-	4,977,592

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 1. Segment information (Continued)

#### (3) Other notes

- (a) Revenue from external customers classified by source of income and non-current assets classified by geographic locations

All amounts in RMB'000

Operating revenue	Amount recognized in the current year	Amount recognized in the prior year
China	267,015,485	228,157,505
Other countries/regions	22,519,038	15,842,359
Total	289,534,523	243,999,864

All amounts in RMB'000

Non-current assets	31 December 2018	31 December 2017
China	55,212,193	48,176,290
Other countries/regions	11,427,377	11,522,567
Total	66,639,570	59,698,857

- (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

	31 December 2018	31 December 2017
Current assets	339,420,571	322,328,945
Less: Current liabilities	297,064,935	280,135,184
Net current assets	42,355,636	42,193,761

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## 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

	31 December 2018	31 December 2017
Total Assets	438,915,843	414,565,174
Less: Current liabilities	297,064,935	280,135,184
Total assets less current liabilities	<u>141,850,908</u>	<u>134,429,990</u>

### 3. Earnings per share

#### (1) When calculating earnings per share, net profit for the current year attributable to ordinary shareholders

All amounts in RMB'000

	Amount for the current year	Amount for the prior year
Net profit for the current year attributable to shareholders of the Company	6,371,580	6,061,488
Including: Net profit from continuing operations	6,371,580	6,061,488
Less: Net profit belong to the perpetual bond holders	910,561	776,091
Net profit for the current year attributable to ordinary shareholders	<u>5,461,019</u>	<u>5,285,397</u>

#### (2) For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares

All amounts in thousand shares

	Amount for the current year	Amount for the prior year
Number of ordinary shares outstanding at the beginning of the year	20,723,619	20,723,619
Add: Weighted average number of ordinary shares issued during the year	-	-
Less: Weighted average number of ordinary shares repurchased during the year	-	-
Number of ordinary shares outstanding at the end of the year	<u>20,723,619</u>	<u>20,723,619</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 3. Earnings per share (Continued)

#### (3) Earnings per share

All amounts in RMB

	Amount for the current year	Amount for the prior year
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.26	0.25
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.26	0.25
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

## XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

### 1. Cash and bank balances

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Cash	464	350
Bank deposits	2,511,346	4,647,715
Other cash and bank balances	11,315	10,827
Total	2,523,125	4,658,892

As at 31 December 2018, restricted cash and bank balances was RMB11,315,000 (as at 31 December 2017: RMB10,827,000, which was frozen deposits).



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 2. Bills and accounts receivable

#### (1) Presentation of bills and accounts receivable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Accounts receivable	318,972	588,374
Total	318,972	588,374

#### (2) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	31 December 2018	31 December 2017
Within 1 year	300,678	188,167
1 to 2 years	–	104,006
2 to 3 years	–	–
3 to 4 years	–	40,369
4 to 5 years	40,369	5,645
Over 5 years	149,559	421,716
Total book value	490,606	759,903
Less: provisions for bad debts	171,634	171,529
Carrying amount	318,972	588,374

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 2. Bills and accounts receivable (Continued)

#### (3) Provision for bad debts

All amounts in RMB'000

Item	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for bad debts at 1 January 2018	–	171,529	171,529
Provision for the current year	–	105	105
Provision for bad debts at 31 December 2018	–	171,634	171,634
Book value at 31 December 2018	318,972	171,634	490,606

#### (4) The top 5 largest accounts receivable collected by arrears at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Company	31 December 2018	As a percentage of total accounts receivable (%)
Party 1	Third Party	300,678	61.29
Party 2	Third Party	118,382	24.13
Party 3	Third Party	46,454	9.46
Party 4	Subsidiary	18,294	3.73
Party 5	Third Party	6,798	1.39
Total	/	490,606	100.00

- (5) As at 31 December 2018, the Company had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 3. Other receivables

#### (1) Presentation of other receivables

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Interests receivable	2,604,730	1,628,144
Dividends receivable	957,127	1,135,205
Other receivables	33,922,608	26,638,723
Total	37,484,465	29,402,072

#### (2) Interests receivable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Subsidiaries of the Company	2,941,766	1,955,008
Less: Provision for bad debts	337,036	326,864
Total	2,604,730	1,628,144

#### (3) Dividends receivable

##### (a) Presentation of dividends receivable

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Subsidiaries of the Company	957,127	1,135,205
Total	957,127	1,135,205

(b) At 31 December 2018, the closing balance of dividends receivable aged more than one year is RMB525,985,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 3. Other receivables (Continued)

#### (4) Other receivables

##### (a) Aging analysis of other receivables

All amounts in RMB'000

Aging	31 December 2018	31 December 2017
Within 1 year	13,414,409	5,095,631
1 to 2 years	4,545,854	4,815,019
2 to 3 years	4,287,087	2,758,244
3 to 4 years	2,513,996	10,033,205
4 to 5 years	5,851,162	3,237,577
Over 5 years	9,578,163	6,911,761
Total book value	40,190,671	32,851,437
Less: provisions for bad debts	6,268,063	6,212,714
Carrying amount	33,922,608	26,638,723

##### (b) Provision for other receivables.

All amounts in RMB'000

Item	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision at 1 January 2018	-	-	6,212,714	6,212,714
Provision for the current year	-	-	55,349	55,349
Provision at 31 December 2018	-	-	6,268,063	6,268,063
Book value of other receivables at 31 December 2018	30,843,110	-	9,347,561	40,190,671



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 3. Other receivables (Continued)

#### (4) Other receivables (Continued)

##### (c) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	Book value at 31 December 2018	Book value at 31 December 2017
Subsidiaries of the Company	40,097,217	32,796,360
Guarantees and deposits	87,111	54,335
Others	6,343	742
Total	<b>40,190,671</b>	<b>32,851,437</b>

##### (d) The top 5 largest other receivables at the end of the year

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	31 December 2018	Aging	As a percentage of total other receivables
Party 1	Subsidiary	Advance Money/Internal loan	19,402,259	Within 5 years	48.28
Party 2	Subsidiary	Advance Money/Internal loan	6,805,041	Within 7 years	16.93
Party 3	Subsidiary	Advance Money/Internal loan	2,497,113	Within 8 years	6.21
Party 4	Subsidiary	Advance Money/Internal loan	2,040,152	Within 5 years	5.08
Party 5	Subsidiary	Internal loan	2,004,931	Within 4 years	4.99
Total	/	/	<b>32,749,496</b>	/	<b>81.49</b>

- (e) As at 31 December 2018, the Company had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 4. Long-term receivables

#### (1) Long term receivables

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Receivables from subsidiaries of the Company	3,223,730	5,578,767
Others	2,037	2,037
Total	3,225,767	5,580,804
Less: Bad debts provision for long-term receivables	144,750	152,784
Total net book value	3,081,017	5,428,020
Including: Long term receivables due within one year	1,357,037	1,277,037
Long term receivables due after one year	1,723,980	4,150,983

#### (2) Provision for long-term receivables

All amounts in RMB'000

Item	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Impairment at 1 January 2018	–	–	152,784	152,784
Reversal for the current year	–	–	(8,034)	(8,034)
Impairment at 31 December 2018	–	–	144,750	144,750
Carrying amount of long-term receivables at 31 December 2018	3,081,017	–	144,750	3,225,767

- (3) As at 31 December 2018, the Company had no derecognized long-term receivables due to the transfer of substantially all the risks and rewards of ownership of the long-term receivable to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2017: nil).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 5. Long-term equity investments

All amounts in RMB'000

Items	31 December 2018			31 December 2017		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	87,675,344	175,034	87,500,310	85,746,150	175,034	85,571,116
Joint ventures and associates	474,863	113,146	361,717	383,711	113,146	270,565
Total	88,150,207	288,180	87,862,027	86,129,861	288,180	85,841,681

#### (1) Subsidiaries

All amounts in RMB'000

Company name	1 January 2018	Increase	Decrease	31 December 2018			
				31 December 2018	Provision for impairment losses for the current year	Impairment provision on 31 December 2018	Carrying Amount on December 2018
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,898,546	-	-	1,898,546	-	-	1,898,546
Northern Engineering & Technology Corporation, MCC	826,271	-	-	826,271	-	-	826,271
China MCC 3 Group Co., Ltd.	900,096	319,574	-	1,219,670	-	-	1,219,670
Shen Kan Engineering & Technology Corporation, MCC	254,972	-	-	254,972	-	-	254,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd. /a/	5,093,638	2,805,991	-	7,899,629	-	-	7,899,629
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Ltd.	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,583,970	-	-	1,583,970	-	-	1,583,970
MCC Tongsin Resources Ltd.	3,483,328	-	-	3,483,328	-	-	3,483,328
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	7,170,194	-	-	7,170,194	-	-	7,170,194
MCC Real Estate Group Co., Ltd.	5,814,517	-	-	5,814,517	-	-	5,814,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,261,984	-	-	2,261,984	-	-	2,261,984
China 22MCC Group Co., Ltd.	3,407,199	-	-	3,407,199	-	-	3,407,199
China ENFI Engineering Co., Ltd.	4,310,884	-	-	4,310,884	-	-	4,310,884
China Second Metallurgical Group Corporation Limited	662,835	600,000	-	1,262,835	-	-	1,262,835
Central Research Institute of Building and Construction Co., Ltd.	2,743,939	-	-	2,743,939	-	-	2,743,939
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	473,303	-	-	473,303	-	-	473,303
CISDI Group Co., Ltd.	4,368,886	-	-	4,368,886	-	-	4,368,886

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

#### (1) Subsidiaries (Continued)

All amounts in RMB'000

Company name	1 January 2018	Increase	Decrease	31 December 2018	Provision for impairment losses for the current year	Impairment provision on 31 December 2018	Carrying Amount on December 2018
China MCC 5 Group Co., Ltd.	3,050,967	-	-	3,050,967	-	-	3,050,967
China Metallurgical Construction Engineering Group Co., Ltd.	2,085,910	-	-	2,085,910	-	-	2,085,910
China MCC 19 Group Co., Ltd.	2,974,357	-	-	2,974,357	-	-	2,974,357
MCC Baosteel Technology Services Co., Ltd.	1,091,924	-	-	1,091,924	-	-	1,091,924
China MCC 20 Group Co., Ltd.	1,680,279	-	-	1,680,279	-	-	1,680,279
Shanghai Baoye Group Co., Ltd.	6,710,953	-	-	6,710,953	-	-	6,710,953
Huadian Engineering & Technology Corporation, MCC	2,156,648	-	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,755,361	-	-	1,755,361	-	-	1,755,361
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
WISDRI Engineering & Research Incorporation Limited	5,393,412	-	-	5,393,412	-	-	5,393,412
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
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	-	-	-	-
MCC Inner Mongolia Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC South China Construction Investment Co., Ltd.	51,000	-	-	51,000	-	-	51,000
MCC Rail Transit Co., Ltd.	30,000	-	-	30,000	-	-	30,000
MCC Zhongyuan Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Integrated Pipe Network Technology & Development Co., Ltd.	50,000	-	-	50,000	-	-	50,000
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd. (a)	1,591,180	-	1,591,180	-	-	-	-
Indirect holding subsidiaries	744,000	100,000	-	844,000	-	-	844,000
<b>Total</b>	<b>85,746,150</b>	<b>3,825,565</b>	<b>1,896,371</b>	<b>87,675,344</b>	<b>-</b>	<b>175,034</b>	<b>87,500,310</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

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

#### (1) Subsidiaries (Continued)

(a) For the current year, the Company increased the capital of 2,805,991,000 RMB to MCC Communication Construction Group Co., Ltd., which included Company's equity interest of 1,591,180,000 RMB in MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd as capital injection into MCC Communication Construction Group Co., Ltd.. Both of these two companies are subsidiaries of the Company.

#### (2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Carrying amount on 1 January 2018	Movements during the current year								Carrying amount on 31 December 2018	Impairment Provision at 31 December 2018
		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)	100,942	-	-	1,870	-	-	-	-	-	102,812	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	99,064	-	-	172	-	-	-	-	-	99,236	-
MCC Jianxin Investment Fund Management Co., Ltd.	53,881	-	-	1,664	-	-	-	-	-	55,545	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	16,678	-	-	(5,707)	-	-	-	-	-	10,971	-
Yingtian MCC Xinyin industry development partnership (limited partnership)	-	81,928	-	14,109	-	-	2,884	-	-	93,153	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
<b>Total</b>	<b>270,565</b>	<b>81,928</b>	<b>-</b>	<b>12,108</b>	<b>-</b>	<b>-</b>	<b>2,884</b>	<b>-</b>	<b>-</b>	<b>361,717</b>	<b>113,146</b>

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 6. Short-term borrowings

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

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Guaranteed loan:	<b>68,632</b>	–
USD	<b>68,632</b>	–
Credit loans:	<b>28,160,013</b>	20,310,515
RMB	<b>25,086,068</b>	19,803,393
USD	<b>2,830,580</b>	326,710
Others	<b>243,365</b>	180,412
Total	<b>28,228,645</b>	20,310,515

(2) As of 31 December 2018, the guaranteed loan of the bank is RMB68,632,000, which is guaranteed by the subsidiary of the Company, China MCC 17 Group Co., Ltd. with a guaranteed letter of credit with a maximum amount of RMB72,407,000.

(3) As at 31 December 2018, there were no significant short-term borrowings overdue but not yet paid.

(4) As at 31 December 2018, the weighted average interest rate of short-term borrowings was 4.33% per annum (as at 31 December 2017: 3.56% per annum).

### 7. Other payables

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Amounts due to subsidiaries	<b>12,931,952</b>	13,273,164
Dividends payable	<b>687,630</b>	443,643
Others	<b>616,819</b>	887,781
Total	<b>14,236,401</b>	14,604,588

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 8. Non-current liabilities due within one year

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Long-term borrowings due within one year (Note XVI 9)	1,953,064	3,290,944
Long-term employee benefits due within one year	2,228	2,347
Long-term payable within one year	78,980	–
Bonds payable within one year	–	2,704,000
Total	2,034,272	5,997,291

### 9. Long-term borrowings

All amounts in RMB'000

Items	31 December 2018	31 December 2017
Mortgaged loans:	–	400,000
RMB	–	400,000
Credit loans:	7,828,064	4,140,944
RMB	5,975,000	2,050,000
USD	1,853,064	2,090,944
Total	7,828,064	4,540,944
Less: Long-term borrowings due within one year (Note XVI 8):	1,953,064	3,290,944
Including: Mortgaged loans	–	400,000
Credit loans	1,953,064	2,890,944
Long-term borrowings due over one year	5,875,000	1,250,000

As at 31 December 2018, the weighted average interest rate of long-term borrowings was 3.53%(per annum (as at 31 December 2017: 3.02% per annum).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 10. Presentation of operating revenue and operating costs

#### (1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current year		Amount for the prior year	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	5,030,879	5,021,605	4,091,850	3,706,520
Other business	164	–	17	–
Total	<u>5,031,043</u>	<u>5,021,605</u>	<u>4,091,867</u>	<u>3,706,520</u>

#### (2) Breakdown of operating revenue

##### (a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Engineering contracting	3,769,461	2,875,261
Others	1,261,418	1,216,589
Total	<u>5,030,879</u>	<u>4,091,850</u>

##### (b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
China	1,261,418	1,216,589
Other countries/regions	3,769,461	2,875,261
Total	<u>5,030,879</u>	<u>4,091,850</u>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 10. Presentation of operating revenue and operating costs (Continued)

(3) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

Customer Name	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	Third Party	732,701	14.56
Party 2	Third Party	694,913	13.81
Party 3	Third Party	638,811	12.70
Party 4	Subsidiary	544,239	10.82
Party 5	Third Party	513,079	10.20
Total	/	3,123,743	62.09

(4) The project contracting services provided by the Company usually constitute a single performance obligation as a whole and are performance obligations performed within a certain period of time. As of 31 December 2018, some of the Company's project contracting service contracts are still in the process of implementation. The trading price allocated to non-implemented (or partly non-implemented) performance obligations is related to the performance progress of each project contracting service contract. It will be recognized as revenue within the future performance period of each project contracting service contract according to the performance progress.

### 11. Credit impairment losses

All amounts in RMB'000

Items	Amount for the current year
Bad debts provision	57,592
Including: Accounts receivable bad debts	105
Other receivables bad debts	65,521
Bad debts of long-term receivables	(8,034)
Total	57,592

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 12. Investment Income

All amounts in RMB'000

Items	Amount for the current year	Amount for the prior year
Investment incomes under cost method	2,212,843	2,379,402
Investment incomes under equity method	12,108	2,462
Investment incomes on disposal of long-term equity investment	14,384	–
Total	2,239,335	2,381,864

There is no major restriction of investment income repatriation to the Company.

### 13. Supplementary information to the cash flow statement

#### (1) Supplementary information to the cash flow statement

All amounts in RMB'000

Supplementary information	Amount for the current year	Amount for the prior year
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	1,168,034	2,379,638
Add: Provision for asset impairment and credit loss provision	57,592	(37,497)
Depreciation of fixed assets	2,456	2,137
Amortization of intangible assets	2,143	2,334
Gains from disposal of fixed assets, intangible assets and other long-term assets	(1,787)	–
Losses on written-off of fixed assets	60	31
Financial expenses	796,787	166,490
Gains arising from investments	(2,239,335)	(2,381,864)
Decrease (Increase) in inventories	420,132	(122,065)
Increase in contract assets	(1,039,354)	–
Decrease in receivables from operating activities	350,403	604,473
Increase in payables from operating activities	217,495	173,369
Net cash flows from operating activities	(265,374)	787,046
<b>2. Net changes in cash and cash equivalents:</b>		
31 December 2018 of cash	2,511,810	4,648,065
Less: 31 December 2017 of cash	4,648,065	7,692,102
Net decrease in cash and cash equivalents	(2,136,255)	(3,044,037)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 13. Supplementary information to the cash flow statement (Continued)

#### (2) Significant investment activities that do not involve cash receipts and payments

In 2018, the Company increased the capital of its subsidiary, MCC Communication Construction Group Co., Ltd at the consideration of its interest in its subsidiary, MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.

#### (3) Cash and cash equivalents

All amounts in RMB'000

Items	31 December 2018	31 December 2017
I. Cash	2,511,810	4,648,065
Including: Cash on hand	464	350
Bank deposits without restriction	2,511,346	4,647,715
Other cash and bank balances without restriction	—	—
II. Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
III. Cash and cash equivalents on 31 December 2018	2,511,810	4,648,065

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions

- (1) The basic information of the parent of the Company, CMC and the ultimate controlling party, see Note XII1.
- (2) The basic information of the subsidiaries, see Note IX1.
- (3) *Associates and joint ventures*

Associates and joint ventures	Place of operating	Place of establishment	Nature of business	Proportion of ownership interest held by the Company (%)		Accounting method
				Direct	Indirect	
Beijing Jingxi Travel Industry Investment Fund (limited partnership) <i>(Note)</i>	Beijing	Beijing	Culture and tourism project investment	9.08	—	Equity method
MCC-Huafa Integrated Pipe Network Co., Ltd.	Guangdong	Guangdong	Municipal pipeline design and construction	50.00	—	Equity method
MCC Jianxin Investment Fund Management Co., Ltd.	Beijing	Beijing	Non-securities investment management, consulting	50.00	—	Equity method
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	Guangdong	Guangdong	Integrated pipe network project investment and financing	40.00	—	Equity method
Yingtian MCC Xinyin industry development partnership (limited partnership)	Jiangxi	Jiangxi	Investment management, asset management	48.89	—	Equity method
MCC Xiangxi Mining Industry Co., Ltd.	Hunan	Hunan	Mineral products processing and sales	50.00	—	Equity method

*Note:* It has significant influence on the investee as it can participate in the financial and operating decision-making process of the investee.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions

##### (a) Sales and purchase of goods, provision and receipt of services

##### (i) Purchase of goods/receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	895,029	802,505
Total		895,029	802,505
China MCC 17 Group Co., Ltd.	Receiving services	1,233,366	1,015,342
China MCC 5 Group Co., Ltd.	Receiving services	694,913	854,799
China MCC 20 Group Co., Ltd.	Receiving services	510,413	581,586
China Metallurgical Construction Engineering Group Co., Ltd.	Receiving services	343,951	268,957
MCC Overseas Ltd.	Receiving services	15,408	–
Shanghai Baoye Group Co., Ltd.	Receiving services	7,758	–
MCC International Incorporation Ltd.	Receiving services	3,693	13,517
CISDI Group Co., Ltd.	Receiving services	1,943	2,883
WISDRI Engineering & Research Incorporation Limited	Receiving services	1,280	–
China 22MCC Group Co., Ltd.	Receiving services	266	–
China ENFI Engineering Co., Ltd.	Receiving services	–	283
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	Receiving services	–	283
Total	/	2,812,991	2,737,650

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (a) Sales and purchase of goods, provision and receipt of services (Continued)

##### (ii) Sales of goods/provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current year	Amount for the prior year
MCC Communication Construction Group Co., Ltd.	Selling goods	487,886	343,293
China MCC 5 Group Co., Ltd.	Selling goods	380,716	344,446
MCC TianGong Group Corporation Limited	Selling goods	219,169	180,652
China MCC 19 Group Co., Ltd.	Selling goods	65,739	39,796
China Metallurgical Construction Engineering Group Co., Ltd.	Selling goods	51,555	40,763
Total	/	1,205,065	948,950
MCC Communication Construction Group Co., Ltd.	Providing services	56,353	263,933
Total	/	56,353	263,933

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (b) Borrowings/loans with related parties

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
<b>Borrowed from related parties</b>		
MCC Finance Corporation Ltd.	5,200,000	9,000,000
MCC Holding (Hong Kong) Corporation Limited	2,335,915	–
MCC TianGong Group Corporation Limited	800,078	–
China MCC 20 Group Co., Ltd.	701,000	–
WISDRI Engineering & Research Incorporation Limited	511,792	1,000
MCC Capital Engineering & Research Incorporation Limited	349,842	293,318
Central Research Institute of Building and Construction Co., Ltd.	300,000	–
MCC Financial Leasing Co., Ltd.	280,000	–
CISDI Group Co., Ltd.	164,717	–
China MCC 17 Group Co., Ltd.	123,538	–
MCC-JJJ Mining Development Company Limited	105,000	–
MCC Baosteel Technology Services Co., Ltd.	50,000	50,000
MCC Real Estate Group Co., Ltd.	–	3,012,144
Shanghai Baoye Group Co., Ltd.	–	2,323,153
China MCC 3 Group Co., Ltd.	–	915,330
China Huaye Group Co., Ltd.	–	500,000
China ENFI Engineering Co., Ltd.	–	400,000
MCC Communication Construction Group Co., Ltd.	–	300,000
China Metallurgical Group Corporation	–	300,000
Zhong Ye Chang Tian International Engineering Co., Ltd.	–	169,889
	<b>10,921,882</b>	<b>17,264,834</b>
Total	<b>10,921,882</b>	<b>17,264,834</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (b) Borrowings/loans with related parties (Continued)

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
<b>Lending to related parties</b>		
MCC Real Estate Group Co., Ltd.	7,689,000	2,819,503
MCC Communication Construction Group Co., Ltd.	819,215	–
MCC Overseas Ltd.	585,133	183,805
Central Research Institute of Building and Construction Co., Ltd.	500,000	–
MCC TianGong Group Corporation Limited	387,006	–
China Second Metallurgical Group Corporation Limited	220,000	450,000
China MCC 3 Group Co., Ltd.	212,569	1,711,359
China Huaye Group Co., Ltd.	150,434	–
CISDI Group Co., Ltd.	100,000	–
China 22MCC Group Co., Ltd.	73,426	450,000
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	30,000	80,000
MCC Mining (Western Australia) Pty Ltd.	6,939	–
China MCC 20 Group Co., Ltd.	1,232	1,992,380
China MCC 17 Group Co., Ltd.	–	858,467
MCC-JJJ Mining Development Company Limited	–	736,528
MCC-SFRE Heavy Industry Equipment Co., Ltd.	–	130,000
Huatian Engineering & Technology Corporation, MCC	–	25,000
<b>Total</b>	<b>10,774,954</b>	<b>9,437,042</b>

The interest rates of certain loans from/to related parties mentioned above ranged from 0% to 6.16%.

##### (c) Leases with related parties

All amounts in RMB'000

Related Party	Types of leased assets	Rental fee confirmed this year	Rental fee confirmed prior year
China Metallurgical Group Corporation	Plants and constructions	16,826	16,882
<b>Total</b>		<b>16,826</b>	<b>16,882</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (d) Guarantees with related parties

##### (i) Grant guarantees

All amounts in RMB'000

Guaranteed party	Guaranteed item	Guaranteed amount	Guaranteed period	Whether execution of guarantee has been completed	Inception date of guarantee	Expiration date of guarantee
MCC Holding (Hong Kong) Corporation Limited	Bonds	3,431,600	3 years	No	2017-05-31	2020-05-30
MCC Holding (Hong Kong) Corporation Limited	Bonds	3,431,600	3 years	No	2017-07-17	2020-07-16
MCC Holding (Hong Kong) Corporation Limited	Perpetual bonds	3,431,600	/	No	2018-05-02	/
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Borrowings	2,308,000	24 years	No	2008-01-08	2032-01-07
Tianjin MCC Mingtai Property Co., Ltd.	Borrowings	1,000,000	3 years	No	2016-04-01	2019-03-31
MCC Real Estate Group Co., Ltd.	Borrowings	1,000,000	3 years	No	2018-12-24	2021-12-23
MCC Holding (Hong Kong) Corporation Limited	Borrowings	343,160	3 years	No	2017-01-13	2020-01-13
MCC Holding (Hong Kong) Corporation Limited	Borrowings	343,160	37 months	No	2017-08-18	2020-09-30
MCC Malaysia Overseas Ltd.	Borrowings	140,895	35 months	No	2018-08-07	2021-07-20
MCC Holding (Hong Kong) Corporation Limited	Borrowings	137,264	11 months	No	2018-03-21	2019-02-22
MCC Malaysia Overseas Ltd.	Borrowings	134,356	43 months	No	2017-12-20	2021-07-12
MCC Holding (Hong Kong) Corporation Limited	Borrowings	68,632	11 months	No	2018-03-15	2019-02-22
MCC Malaysia Overseas Ltd.	Borrowings	27,355	3 years	No	2018-12-27	2021-12-26
Total	/	15,797,622	/	/	/	/

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (d) Guarantees with related parties (Continued)

##### (ii) Accept guarantees

All amounts in RMB'000

Guarantee party	Guaranteed item	Guaranteed amount	Guaranteed period	Whether execution of guarantee has been completed	Inception date of guarantee	Expiration date of guarantee
China MCC 17 Group Co., Ltd.	Borrowings	68,632	1 year	No	2018-01-09	2019-01-09
Total	/	68,632	/	/	/	/

##### (e) Other related party transactions

##### (i) Interest incomes

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
MCC Real Estate Group Co., Ltd.	996,003	643,154
China 22MCC Group Co., Ltd.	152,805	171,766
MCC-JJJ Mining Development Company Limited	124,749	145,127
MCC Communication Construction Group Co., Ltd.	74,863	87,641
MCC Overseas Ltd.	27,122	5,168
China Huaye Group Co., Ltd.	25,143	25,924
China MCC 3 Group Co., Ltd.	22,139	13,751
Central Research Institute of Building and Construction Co., Ltd.	16,263	18,332
Shanghai Baoye Group Co., Ltd.	14,885	15,498
China MCC International Economic and Trade Co., Ltd.	13,554	9,827

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (4) Related party transactions (Continued)

##### (e) Other related party transactions (Continued)

##### (i) Interest incomes (Continued)

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	8,081	6,919
MCC TianGong Group Corporation Limited	6,209	–
China Second Metallurgical Group Corporation Limited	5,968	54
MCC Finance Corporation Ltd.	4,354	4,601
China MCC 20 Group Co., Ltd.	3,189	2,539
CISDI Group Co., Ltd.	2,576	–
China ENFI Engineering Co., Ltd.	2,251	2,251
Shen Kan Engineering & Technology Corporation, MCC	2,008	2,008
MCC-SFRE Heavy Industry Equipment Co., Ltd.	264	52,063
Huatian Engineering & Technology Corporation, MCC	–	15,700
China MCC 17 Group Co., Ltd.	–	1,694
MCC Holding (Hong Kong) Corporation Limited	–	202
Total	<b>1,502,426</b>	1,224,219

##### (ii) Interest expenses

All amounts in RMB'000

Related parties	Amount for the current year	Amount for the prior year
MCC Finance Corporation Ltd.	126,922	87,405
Shanghai Baoye Group Co., Ltd.	24,581	23,096
China Metallurgical Group Corporation	18,252	21,366
MCC Holding (Hong Kong) Corporation Limited	17,711	–
MCC Capital Engineering & Research Incorporation Limited	6,182	1,053
WISDRI Engineering & Research Incorporation Limited	5,413	–
Zhong Ye Chang Tian International Engineering Co., Ltd.	4,338	547
China MCC 17 Group Co., Ltd.	2,245	–
CISDI Group Co., Ltd.	2,159	–
Total	<b>207,803</b>	133,467

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party

##### (a) Receivables

All amounts in RMB'000

Items	Related parties	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Cash	MCC Finance Corporation Ltd.	431,869	-	1,586,005	-
Total		431,869	-	1,586,005	-
Notes receivable and Accounts receivable	China MCC International Economic and Trade Co., Ltd.	18,294	-	18,294	-
Notes receivable and Accounts receivable	MCC Mining (Western Australia) Pty Ltd.	-	-	277,802	-
Total		18,294	-	296,096	-
Other receivables	MCC Real Estate Group Co., Ltd.	19,402,259	-	15,286,259	-
Other receivables	MCC Mining (Western Australia) Pty Ltd.	6,805,041	3,719,055	6,784,329	3,719,055
Other receivables	MCC Australia Holding Pty Ltd.	2,497,113	2,497,113	2,441,764	2,441,764
Other receivables	China 22MCC Group Co., Ltd.	2,040,152	-	2,366,704	-
Other receivables	MCC Communication Construction Group Co., Ltd.	2,004,931	-	1,373,742	-
Other receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,082,200	-	1,082,200	-
Other receivables	MCC Overseas Ltd.	855,362	-	252,154	-
Other receivables	Shanghai Baoye Group Co., Ltd.	756,590	-	81,591	-
Other receivables	China MCC 3 Group Co., Ltd.	751,981	-	279,769	-
Other receivables	MCC-JJJ Mining Development Company Limited	637,896	-	320,436	-
Other receivables	China MCC 20 Group Co., Ltd.	507,439	-	101,572	-
Other receivables	China Huaye Group Co., Ltd.	506,219	-	525,615	-
Other receivables	Central Research Institute of Building and Construction Co., Ltd.	500,000	-	-	-
Other receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	304,645	-	304,638	-
Other receivables	CISDI Group Co., Ltd.	300,000	-	200,000	-
Other receivables	China MCC International Economic and Trade Co., Ltd.	240,831	-	240,831	-
Other receivables	China Second Metallurgical Group Corporation Limited	220,000	-	121	-
Other receivables	MCC TianGong Group Corporation Limited	185,612	-	110,485	-
Other receivables	China First Metallurgical Group Co., Ltd.	146,626	-	146,626	-
Other receivables	China MCC 17 Group Co., Ltd.	72,979	-	69,591	-



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables	MCC Tongsin Resources Ltd.	66,194	-	66,193	-
Other receivables	China Metallurgical Construction Engineering Group Co., Ltd.	58,560	-	40,078	-
Other receivables	Shen Kan Engineering & Technology Corporation, MCC	35,970	-	35,970	-
Other receivables	MCC Baosteel Technology Services Co., Ltd.	32,477	-	32,477	-
Other receivables	China MCC 19 Group Co., Ltd.	28,764	-	11,653	-
Other receivables	MCC Capital Engineering & Research Incorporation Limited	20,033	-	20,033	-
Other receivables	MCC International Incorporation Ltd.	19,629	-	53,966	-
Other receivables	China MCC 5 Group Co., Ltd.	12,234	-	1,085	-
Other receivables	Huatian Engineering & Technology Corporation, MCC	5,170	-	380,118	-
Other receivables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	310	-	310	-
Other receivables	MCC Holding (Hong Kong) Corporation Limited	-	-	186,050	-
Total		<u>40,097,217</u>	<u>6,216,168</u>	<u>32,796,360</u>	<u>6,160,819</u>
Other receivables-Interests receivable	China 22MCC Group Co., Ltd.	675,653	-	528,645	-
Other receivables-Interests receivable	MCC Real Estate Group Co., Ltd.	643,179	-	101	-
Other receivables-Interests receivable	MCC Mining (Western Australia) Pty Ltd.	384,976	-	383,612	-
Other receivables-Interests receivable	MCC Australia Holding Pty Ltd.	337,036	337,036	326,864	326,864
Other receivables-Interests receivable	China Huaye Group Co., Ltd.	253,913	-	229,076	-
Other receivables-Interests receivable	MCC Communication Construction Group Co., Ltd.	237,231	-	185,385	-
Other receivables-Interests receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	86,131	-	86,131	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables-Interests receivable	MCC-JJJ Mining Development Company Limited	82,788	-	39,768	-
Other receivables-Interests receivable	MCC Tongsin Resources Ltd.	73,085	-	69,616	-
Other receivables-Interests receivable	China MCC International Economic and Trade Co., Ltd.	64,636	-	51,082	-
Other receivables-Interests receivable	MCC Overseas Ltd.	33,470	-	6,304	-
Other receivables-Interests receivable	Shanghai Baoye Group Co., Ltd.	30,927	-	-	-
Other receivables-Interests receivable	Central Research Institute of Building and Construction Co., Ltd.	15,156	-	13,722	-
Other receivables-Interests receivable	China MCC 3 Group Co., Ltd.	9,258	-	5,160	-
Other receivables-Interests receivable	China MCC 20 Group Co., Ltd.	6,720	-	3,257	-
Other receivables-Interests receivable	Shen Kan Engineering & Technology Corporation, MCC	4,748	-	2,740	-
Other receivables-Interests receivable	CISDI Group Co., Ltd.	2,576	-	-	-
Other receivables-Interests receivable	MCC Finance Corporation Ltd.	283	-	-	-
Other receivables-Interests receivable	Huatian Engineering & Technology Corporation, MCC	-	-	16,042	-
Other receivables-Interests receivable	MCC Holding (Hong Kong) Corporation Limited	-	-	7,503	-
Total		2,941,766	337,036	1,955,008	326,864

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables- Dividends receivable	China 22MCC Group Co., Ltd.	309,995	-	244,965	-
Other receivables- Dividends receivable	CISDI Group Co., Ltd.	236,656	-	236,656	-
Other receivables- Dividends receivable	MCC TianGong Group Corporation Limited	170,405	-	162,086	-
Other receivables- Dividends receivable	Shanghai Baoye Group Co., Ltd.	92,167	-	-	-
Other receivables- Dividends receivable	MCC Capital Engineering & Research Incorporation Limited	64,589	-	33,643	-
Other receivables- Dividends receivable	Huatian Engineering & Technology Corporation, MCC	39,532	-	135,578	-
Other receivables- Dividends receivable	MCC Overseas Ltd.	19,814	-	19,814	-
Other receivables- Dividends receivable	MCC Communication Construction Group Co., Ltd.	17,450	-	-	-
Other receivables- Dividends receivable	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	-	5,797	-
Other receivables- Dividends receivable	Northern Engineering & Technology Corporation, MCC	722	-	13,876	-
Other receivables- Dividends receivable	WISDRI Engineering & Research Incorporation Limited	-	-	93,069	-
Other receivables- Dividends receivable	China MCC 17 Group Co., Ltd.	-	-	85,212	-
Other receivables- Dividends receivable	China Second Metallurgical Group Corporation Limited	-	-	41,794	-
Other receivables- Dividends receivable	China ENFI Engineering Co., Ltd.	-	-	36,206	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (a) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2018		31 December 2017	
		Carrying amount	Provision for bad debts	Carrying amount	Provision for bad debts
Other receivables- Dividends receivable	Zhong Ye Chang Tian International Engineering Co., Ltd.	-	-	26,318	-
Other receivables- Dividends receivable	China MCC 5 Group Co., Ltd.	-	-	191	-
<b>Total</b>		<b>957,127</b>	<b>-</b>	<b>1,135,205</b>	<b>-</b>
Prepayments	China MCC 20 Group Co., Ltd.	13,218	-	-	-
Prepayments	China MCC International Economic and Trade Co., Ltd.	5,120	-	5,120	-
Prepayments	Shanghai Baoye Group Co., Ltd.	4,693	-	4,693	-
Prepayments	China MCC 17 Group Co., Ltd.	-	-	15,728	-
<b>Total</b>		<b>23,031</b>	<b>-</b>	<b>25,541</b>	<b>-</b>
Long-term receivables	China MCC 3 Group Co., Ltd.	1,345,000	-	1,285,000	-
Long-term receivables	Central Research Institute of Building and Construction Co., Ltd.	315,110	-	315,110	-
Long-term receivables	MCC Mining (Western Australia) Pty Ltd.	144,750	144,750	152,784	152,784
Long-term receivables	China ENFI Engineering Co., Ltd.	46,730	-	46,730	-
Long-term receivables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	11,670	-	11,670	-
Long-term receivables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,470	-	5,470	-
Long-term receivables	China MCC International Economic and Trade Co., Ltd.	-	-	80,000	-
Long-term receivables	MCC-JJJ Mining Development Company Limited	-	-	2,407,003	-
<b>Total</b>		<b>1,868,730</b>	<b>144,750</b>	<b>4,303,767</b>	<b>152,784</b>
Non-current assets due within one year	China 22MCC Group Co., Ltd.	1,275,000	-	1,275,000	-
Non-current assets due within one year	China MCC International Economic and Trade Co., Ltd.	80,000	-	-	-
<b>Total</b>		<b>1,355,000</b>	<b>-</b>	<b>1,275,000</b>	<b>-</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (b) Payables

All amounts in RMB'000

Items	Related parties	31 December 2018	31 December s2017
Short-term borrowings	MCC Finance Corporation Ltd.	5,200,000	6,280,000
Total		5,200,000	6,280,000
Accounts payable	China MCC 5 Group Co., Ltd.	325,252	146,097
Accounts payable	China MCC 20 Group Co., Ltd.	141,816	199,905
Accounts payable	China Metallurgical Construction Engineering Group Co., Ltd.	108,279	–
Accounts payable	China 22MCC Group Co., Ltd.	50,036	50,036
Accounts payable	China MCC 17 Group Co., Ltd.	47,173	303,376
Accounts payable	Shanghai Baoye Group Co., Ltd.	45,383	37,625
Accounts payable	Northern Engineering & Technology Corporation, MCC	44,253	44,253
Accounts payable	MCC Overseas Ltd.	11,141	11,141
Accounts payable	Zhong Ye Chang Tian International Engineering Co., Ltd.	5,832	5,832
Accounts payable	MCC Capital Engineering & Research Incorporation Limited	–	14,000
Total		779,165	812,265
Other payables	MCC Holding (Hong Kong) Corporation Limited	1,990,588	517
Other payables	China MCC 20 Group Co., Ltd.	1,473,368	838,941
Other payables	Shanghai Baoye Group Co., Ltd.	1,413,577	2,618,898
Other payables	China MCC 3 Group Co., Ltd.	927,909	1,184,432
Other payables	MCC TianGong Group Corporation Limited	800,078	–
Other payables	MCC Capital Engineering & Research Incorporation Limited	793,224	486,882
Other payables	CISDI Group Co., Ltd.	687,638	163,388
Other payables	WISDRI Engineering & Research Incorporation Limited	591,566	87,694
Other payables	China MCC 5 Group Co., Ltd.	373,269	254,518
Other payables	China ENFI Engineering Co., Ltd.	368,017	479,353
Other payables	Central Research Institute of Building and Construction Co., Ltd.	363,761	85,014
Other payables	China MCC 19 Group Co., Ltd.	352,163	492,057
Other payables	China Huaye Group Co., Ltd.	325,946	749,672
Other payables	MCC Financial Leasing Co., Ltd.	280,000	–
Other payables	China 13th Metallurgical Construction Corporation	243,431	490,907
Other payables	China 22MCC Group Co., Ltd.	234,979	301,432
Other payables	MCC International Incorporation Ltd.	222,053	281,813
Other payables	China Second Metallurgical Group Corporation Limited	219,908	282,982

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVI. OTHER SIGNIFICANT ITEMS (CONTINUED)

### 14. Related party relationships and transactions (Continued)

#### (5) Payables and receivables of related party (Continued)

##### (b) Payables (Continued)

All amounts in RMB'000

Items	Related parties	31 December 2018	31 December 2017
Other payables	MCC Communication Construction Group Co., Ltd.	188,210	300,000
Other payables	Minmetals Steel Chengdu Co., Ltd.	168,401	107,990
Other payables	China Metallurgical Construction Engineering Group Co., Ltd.	161,865	191,092
Other payables	China MCC 17 Group Co., Ltd.	134,766	12,128
Other payables	MCC Baosteel Technology Services Co., Ltd.	120,108	73,460
Other payables	China First Metallurgical Group Co., Ltd.	106,341	180,783
Other payables	Zhong Ye Chang Tian International Engineering Co., Ltd.	106,181	293,768
Other payables	MCC-JJJ Mining Development Company Limited	105,000	-
Other payables	Shen Kan Engineering & Technology Corporation, MCC	84,708	84,708
Other payables	Northern Engineering & Technology Corporation, MCC	79,183	102,340
Other payables	Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	37,297	37,297
Other payables	ACRE Coking & Refractory Engineering Consulting Corporation, MCC	35,749	45,447
Other payables	MCC Mining (Western Australia) Pty Ltd.	33,253	35,099
Other payables	Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	21,698	25,314
Other payables	MCC Overseas Ltd.	21,559	21,559
Other payables	MCC Australia Holding Pty Ltd.	19,784	20,882
Other payables	MCC Tongsin Resources Ltd.	9,236	9,236
Other payables	MCC Finance Corporation Ltd.	5,159	-
Other payables	MCC-SFRE Heavy Industry Equipment Co., Ltd.	377	18,567
Other payables	Ramu NiCo Management (MCC) Ltd.	3	3
Other payables	MCC Real Estate Group Co., Ltd.	-	3,012,143
Other payables	Huatian Engineering & Technology Corporation, MCC	-	10,838
Total		<b>13,100,353</b>	<b>13,381,154</b>
Non-current liabilities due within one year	China Metallurgical Group Corporation	78,980	-
Total		<b>78,980</b>	<b>-</b>
Long-term payables	China Metallurgical Group Corporation	300,000	378,980
Total		<b>300,000</b>	<b>378,980</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

## XVII. SUPPLEMENTARY INFORMATION

### 1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current year
Government grants recognized in profit or loss (except for the government grants that are closely related to the business of the Company and received in accordance with the uniform state's regulations)	635,756
Other non-operating income or expenses other than the above items	(465,729)
Profit or loss on disposal of non-current assets	138,415
Profit or loss arising from changes in fair value of trading financial assets, derivative financial instruments and other financial assets and investment income on disposal of trading financial assets except for those relating to the hedging transactions under the company's normal operating business	51,934
Profit or loss on disposal of long-term equity investments	32,071
Impact on income tax	(82,350)
Impact on non-controlling interests	(90,758)
	219,339
Total	219,339

### 2. Return on net assets and earnings per share ("EPS")

Profit during the reporting period	Weighted average rate of return on net assets (%)	EPS Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	8.25	0.26	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	7.92	0.25	Not applicable
	7.92	0.25	Not applicable

## OTHER FINANCIAL DATA (FIVE YEARS)

Unit: RMB'000

Items	2018	2017	2016	2015	2014
Operating revenue	<b>289,534,523</b>	243,999,864	219,557,579	217,323,972	215,785,772
Operating costs	<b>253,121,966</b>	212,052,305	191,369,837	188,817,361	187,884,556
Taxes and levies	<b>2,412,583</b>	2,109,021	3,288,123	5,597,162	5,712,644
Selling expenses	<b>2,108,541</b>	1,961,287	1,665,258	1,512,225	1,500,231
Administrative expenses	<b>8,569,093</b>	7,681,869	7,115,377	7,238,858	6,891,420
R&D expenses	<b>7,182,666</b>	5,336,045	3,309,797	2,828,218	2,216,847
Financial expenses	<b>3,252,219</b>	3,020,031	2,228,707	2,526,563	4,022,637
Impairment losses of assets	<b>1,165,150</b>	3,908,628	4,023,057	4,569,534	3,298,384
Impairment losses of credit	<b>2,671,338</b>	—	—	—	—
Investment income	<b>375,980</b>	548,870	440,053	1,735,160	1,053,667
Gains on disposal of assets	<b>138,415</b>	99,013	84,968	179,788	86,836
Other income	<b>237,653</b>	200,336	—	—	—
Operating profit	<b>9,832,014</b>	8,779,119	7,079,229	6,118,554	5,377,083
Non-operating income	<b>449,866</b>	438,636	1,172,389	1,149,162	1,575,980
Non-operating expenses	<b>757,436</b>	243,069	603,847	124,580	247,758
Total profit	<b>9,524,444</b>	8,974,686	7,647,771	7,143,136	6,705,305
Income tax	<b>1,953,837</b>	2,262,832	1,678,124	2,194,392	2,363,950
Net profit	<b>7,570,607</b>	6,711,854	5,969,647	4,948,744	4,341,355
Net profit attributable to shareholders of the Company	<b>6,371,580</b>	6,061,488	5,375,858	4,801,562	3,964,938
Profit or loss attributable to non-controlling interests	<b>1,199,027</b>	650,366	593,789	147,182	376,417
Basic earnings per share	<b>0.26</b>	0.26	0.25	0.24	0.21
Diluted earnings per share	<b>Not Applicable</b>	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	As at the end of 2018	As at the end of 2017	As at the end of 2016	As at the end of 2015	As at the end of 2014
Total assets	<b>438,915,843</b>	414,565,174	377,491,604	343,762,819	325,978,479
Total liabilities	<b>336,246,399</b>	317,244,693	294,383,901	272,607,795	267,953,971
Shareholders' equity	<b>102,669,444</b>	97,320,481	83,107,703	71,155,024	58,024,508



# DOCUMENTS FOR INSPECTION

Documents for Inspection	Financial statements signed and sealed by the legal representative, the person-in-charge of accounting and the head of the accounting firm
Documents for Inspection	The original auditor's report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
Documents for Inspection	Originals of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the Reporting Period
Documents for Inspection	2018 Annual Report and 2018 Annual Results Announcement published on the Hong Kong Stock Exchange

*Chairman:* **Guo Wenqing**

Date of Approval from the Board: 29 March 2019

## AMENDMENT ON INFORMATION

Applicable       Not Applicable



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