



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

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

2016 INTERIM REPORT



*For identification purpose only

Important Notice

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management members warrant that there are no false representations, misleading statements contained in or material omissions from the information set out in this interim report, and they severally and jointly accept legal responsibility for the truthfulness, accuracy and completeness of its contents.
- II. The Company convened the 24th meeting of the second session of the Board on 26 August 2016. Seven Directors shall attend the meeting and six of them attended the meeting. Mr. Yu Hailong, a Director, could not attend the meeting due to other business engagement and appointed Mr. Ren Xudong, a Director, in written form, to attend and vote at the meeting on behalf of him after reviewing relevant information.

Position of the absent Director	Name of the absent Directors	Reason for absence	Proxy
Independent Director	Mr. Yu Hailong	Other business commitment	Mr. Ren Xudong

- III. Deloitte Touche Tohmatsu CPA LLP issued a review report of standard unqualified opinion to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, a Vice President and the General Accountant of the Company, and Fan Wanzhu, the Financial Controller have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.

- V. Statement for the risks involved in the forward-looking statements

The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors shall be aware of investment risks.

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

No

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

No

- VIII. Others

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

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Definitions

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

“the Company, MCC”	Metallurgical Corporation of China Ltd.*
“China or PRC”	the People’s Republic of China, excluding, for purposes of this report, Hong Kong, Macao and Taiwan
“China Minmetals”	China Minmetals Corporation
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SFC”	Securities & Futures Commission of Hong Kong
“Shanghai Stock Exchange”	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”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder, MCC Group”	China Metallurgical Group Corporation
“Shareholders’ Meeting” or “General 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.*

Definitions

“Director(s)”	the Director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director, Independent Non-executive Director”	a Director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2016 to 30 June 2016
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Renminbi or RMB”	Renminbi, the lawful currency of the PRC
“HKD or Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“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 contained in Appendix 14 to the Listing Rules of the Hong Kong Stock Exchange

* For identification purposes only

Chairman's Statement

Guo Wenqing
Chairman



Chairman's Statement

Dear Shareholders,

This year is the first year of the "Thirteenth Five-Year Plan" period. Domestic and overseas economic recovery has been weaker than expected. Encountering the over-capacity reduction in iron and steel industry and rigorous and complex economic situation, MCC has spared no effort to expand market, promote reform, strengthen management, and control risks with its established and proper strategy catering to the overall situation. Economic operation of the enterprise has experienced steady improvement and the business structure has continued to be optimized.

During the Reporting Period, the total profit of the Company amounted to RMB3.576 billion, representing a year-on-year increase of RMB72 million, whilst its operating revenue amounted to RMB95.825 billion, representing a year-on-year decrease of RMB4.867 billion. The value of newly-signed agreement amounted to RMB244.24 billion, representing a year-on-year increase of 37.79%, whilst the net profit attributable to shareholders of the listed company amounted to RMB2.416 billion, representing a year-on-year increase of 11.22%. New kinetic energy was recorded robust growth. The proportion of value of the newly signed non-metallurgical engineering contracts accounted for 89.85% of the newly signed engineering contracts, and the value of newly signed overseas engineering contracts represented a year-on-year increase of 1.5 times. We own 17,693 valid patents in aggregate, ranking the fourth among the state-owned enterprises for three consecutive years. We have 17 state-level technological innovation platforms and key laboratories, the layout level and quality of patent are further improved. The substantial development of new growth pole as well as continuous improvement on technical strength provide strong support to the sustainable development of the enterprise.

With vigorous support from public investors and the society, MCC Group, which regards MCC as the core asset, was appraised as Class A Enterprise for the first time in the assessment results of the 2015 Operating Performance of the Central Government Enterprise under the SASAC of the State Council, and received an honor of "Technological Innovation Outstanding Enterprise" for the year 2013-2015. It has been a great leap forward again since the remarkable improvement from Class D to Class B in the 2013 Operating Results Assessment. MCC Group, which regards MCC as the core asset, ranked 290th in Fortune Global 500 in 2016, rising another 36 places after the rise of 28 places in the previous year. The Company achieved satisfactory completion of the expected goals of "a step forward in a year, a great improvement in three years" (一年邁一步，三年跨大步) under the development prospect of "focusing on the core business in building a better MCC" (聚焦中冶主業，建設美好中冶).

In the second half of 2016, the pressure of domestic economic downturn will still be substantial, and the contradictions in terms of structural problems and overcapacity of production will still be noticeable. However, along with the construction of new-type urbanization in our country, the strengthening efforts on municipal transportation infrastructure construction, the development in regional economic area and metropolitan area, as well as the implementation of "One Belt, One Road" strategy, MCC is facing valuable development opportunities. We will continue to carry out arrangement and layout of new strategic positioning by "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies" and will promote the Company's new advantages of transformation, upgrading and renovation development by regarding doing the best for the core business as the main line and regarding improvement on health, quality and efficiency as the key points.

In traditional metallurgical market, MCC is strengthening the high-end guidance. According to the requirements of the Action Manual for National Team of Metallurgical Construction (《冶金建設國家隊行動手冊》) which has been introduced, MCC aims to form a genuine national team of metallurgical construction with a self-established system, which ranked the first in the world. By occupying a commanding height in terms of market and technology, MCC will undertake the mission of leading the transformation and upgrading of iron and steel industry in the PRC and even in the world by its absolute leading status. In the field of infrastructure, "high-tech, new, multi-functional and large-scale" projects such as highways, coliseums, skyscrapers, municipal construction and city complex were regarded as key development. The Company comprehensively improved the influence and competitiveness on high-end property construction market, actively reported the top quality of municipal construction and transportation construction, and cultivated enterprises with three or four top qualities to realize a larger breakthrough of scale and efficiency. Emerging business such as green energy conservation and environmental protection is the business area with continuous and rapid growth and tremendous development potential vigorously supported by the government, and the business area which MCC is able to manifest technological advantages. The Company will adequately and effectively leverage leadership of various aspects including technological research and development, standard formulation, cultivation of talents, results promotion and market development in the six largest technology institutes, namely integrated utility tunnel, sponge city, beautiful village and intelligent city, theme parks, healthcare industry and water environment to create the core competitiveness of "top level technology", "top level product", "the lowest cost", "the best model" and "the excellent results", becoming the leading enterprise of high-end technology, high-end products and high-end market in the industry.

Dear shareholders, MCC Group, which regards MCC as the core asset operation, has implemented strategic restructuring with China Minmetals Corporation, and will endeavor to create a state-owned capital investment company in the scope of metals and mine. Positioned in a new historical starting point, MCC will enter a new stage of comprehensive enhancement for development. We will continue to insist on strategic guidance, firmly seize the monitoring and control of management, highlight the strengthening of transformation and upgrading, vigorously uphold the MCC's simple and profound spirit of "without wasting one day, without being lazy for one day", being down-to-earth, work in earnest, courageous and diligent and continuously innovative, and reach a higher development level for the construction of the "Better MCC" by creating better operating results for returning to the shareholders and contributing to the society.

Chairman of the Board



Company Profile

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

MCC is one of the largest comprehensive companies of engineering and construction in the PRC and even in the world. MCC Group, which holds the Company as its core asset, ranked the 290th among the 2016 Fortune Global 500 companies.

At present, the A Share of the Company has been selected to be a constituent stock of, among others, SSE Central SOEs Index, CSI Infrastructure Index, SSE 180R Growth Index, SSE Market Value Top 100 Index and “One Belt and One Road” Index, etc.; while the H Share has been selected to be a constituent stock of, among others, FTSE China 50 Index, S&P China BMI Index, Bloomberg Global Index, Hang Seng China AH (A+H) Index, Bloomberg Asia Pacific Engineering and Construction Index, etc.

Specific information of the Company is set out below:

I. CORPORATE INFORMATION

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

II. CONTACT PERSON AND CONTACT METHODS

Secretary to the Board	Xiao Xuewen
Company Secretary	Lin Xiaohui
Address	MCC Tower 28, Shuguang Xili, Chaoyang District, Beijing, PRC
Telephone	+86-10-59868666
Fax	+86-10-59868999
E-mail	ir@mccchina.com

* For identification purposes only

III. BASIC INFORMATION

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

IV. INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

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

V. SHARES OF THE COMPANY

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

Company Profile

VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	Deloitte Touche Tohmatsu CPA LLP
	Office address	8th Floor, Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing, PRC
	Signing auditors of the audit report	Ma Yanmei, Chen Wenlong
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	23/F, CITIC Securities Tower 48 Liangmaqiao Road, Chaoyang District, Beijing
	Signing representatives of sponsor	Jia Xiaoliang, Chen Shumian
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for an initial public offering of A Shares of MCC on 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the A Share proceeds raised have not been fully utilized, CITIC Securities Company Limited continues to keep an eye on the use of such A Share proceeds by MCC, and performs the relevant continuous supervisory duty after the expiry of continuous supervisory period.
PRC legal advisor appointed by the Company	Name	Beijing Dacheng Law Office
	Office address	7/F, Parkview Green FangCaoDi No. 9, Dongdaqiao Road, Chaoyang District Beijing, China
Overseas legal advisor appointed by the Company	Name	Latham & Watkins
	Office address	18th Floor, One Exchange Square 8 Connaught Place Central Hong Kong

Summary of Accounting Data and Financial Indicators

1. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Major accounting data

Unit: RMB'000

Major accounting data	For the current period (January – June)	Corresponding period of the previous year	Increase/ decrease for the current period as compared to the corresponding period of the previous year (%)
Operating revenue	95,824,655	100,691,551	-4.83
Net profit attributable to shareholders of the Company	2,415,926	2,172,265	11.22
Net profit attributable to shareholders of the Company after deducting non-recurring profits and losses	1,789,074	1,783,586	0.31
Net cash flow generated from operating activities	-2,849,369	-4,053,589	N/A
	End of the Reporting Period	End of last year	Increase/ decrease for the current period as compared to the corresponding period of the previous year (%)
Net assets attributable to shareholders of the Company	61,591,415	60,557,630	1.71
Total assets	359,352,957	343,762,819	4.54
Total share capital at the end of the period	19,110,000	19,110,000	0

Summary of Accounting Data and Financial Indicators

(II) Major financial indicators

Major financial indicators	For the Reporting Period (January – June)	Corresponding period of the previous year	Increase/decrease for the period as compared to the corresponding period of the previous year (%)
Basic earnings per share (RMB/Share)	0.11	0.11	0
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.08	0.09	-11.11
Weighted average return on net assets (%)	4.22	4.44	Decreased by 0.22 percentage point
Weighted average return on net assets after deducting non-recurring profits and losses (%)	3.00	3.64	Decreased by 0.64 percentage point

(III) Financial Highlights

1. Overview

The highlights of Company's financial position as at 30 June 2016 and the operating results for the six months ended 30 June 2016 are as follows:

- Operating revenue amounted to RMB95,825 million, representing a year-on-year decrease of RMB4,867 million or 4.83% from RMB100,692 million in the first half of 2015.
- Operating profit amounted to RMB3,242 million, representing a year-on-year increase of RMB115 million or 3.67% from RMB3,127 million in the first half of 2015.
- Net profit amounted to RMB2,827 million, representing a year-on-year increase of RMB366 million or 14.89% from RMB2,461 million in the first half of 2015.
- Net profit attributable to shareholders of the listed company amounted to RMB2,416 million, representing a year-on-year increase of RMB244 million or 11.22% from RMB2,172 million in the first half of 2015.
- Basic earnings per share amounted to RMB0.11, and the basic earnings per share of the first half of 2015 amounted to RMB0.11.
- As at 30 June 2016, total assets amounted to RMB359,353 million, representing an increase of RMB15,590 million or 4.54% from RMB343,763 million as at 31 December 2015.

Summary of Accounting Data and Financial Indicators

- As at 30 June 2016, total equity amounted to RMB72,289 million, representing an increase of RMB1,134 million or 1.59% from RMB71,155 million as at 31 December 2015.
- Newly signed contracts were worth RMB244,240 million, representing an increase of RMB66,990 million or 37.79% from RMB177,250 million in the first half of 2015.

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

2. Operating revenue from principal business segments

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

(1) Engineering contracting business

Operating revenue amounted to RMB81,666 million, representing a decrease of RMB3,711 million or 4.35% from RMB85,377 million in the first half of 2015.

(2) Property development business

Operating revenue amounted to RMB9,695 million, representing a decrease of RMB292 million or 2.92% from RMB9,987 million in the first half of 2015.

(3) Equipment manufacture business

Operating revenue amounted to RMB3,057 million, representing a decrease of RMB767 million or 20.04% from RMB3,824 million in the first half of 2015.

(4) Resource development business

Operating revenue amounted to RMB1,835 million, representing an increase of RMB552 million or 43.04% from RMB1,283 million in the first half of 2015.

(5) Other businesses

Operating revenue amounted to RMB1,474 million, representing an increase of RMB109 million or 7.96% from RMB1,365 million in the first half of 2015.

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

Summary of Accounting Data and Financial Indicators

3. Summary of financial statements

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

(1) Consolidated Income Statement (January – June of 2016)

Unit: RMB'000

Item	Note	Amount for the current period	Amount for the prior period
I. Total operating revenue		95,824,655	100,691,551
Including: Operating revenue	VII51	95,824,655	100,691,551
II. Total operating cost		92,901,625	97,709,872
Including: Operating costs	VII51	83,366,785	87,593,659
Business taxes and levies	VII52	1,728,019	2,616,952
Selling expenses	VII53	734,570	606,020
Administrative expenses	VII54	4,361,156	4,067,552
Financial expenses	VII55	1,287,940	1,767,396
Impairment losses of assets	VII56	1,423,155	1,058,293
Add: Gains from changes in fair value	VII57	6,349	21,693
Investment income	VII58	312,688	123,863
Including: Gains from investments in associations and joint ventures		256,191	58,907
III. Operating profit		3,242,067	3,127,235
Add: Non-operating income	VII59	387,938	422,230
Including: Gains from disposal of non-current assets		54,806	22,916
Less: Non-operating expenses	VII60	53,604	45,325
Including: Losses from disposal of non-current assets		10,680	13,247
IV. Total profit		3,576,401	3,504,140
Less: Income tax expenses	VII61	749,237	1,043,323
V. Net profit		2,827,164	2,460,817
Net profit attributable to shareholders of the parent Company		2,415,926	2,172,265
Profit or Loss attributable to non-controlling interests		411,238	288,552
VI. Other comprehensive income, net of income tax	VII62	(64,868)	63,897
Other comprehensive income attributable to shareholders of the Company, net of income tax		(79,584)	74,945
(I) Items that will not be reclassified subsequently to profit or loss		1,554	(125,351)
1. Re-measurement of defined benefit obligations		1,554	(125,351)
(II) Items that may be reclassified subsequently to profit or loss		(81,138)	200,296
1. Net(loss) gain on revaluation of available-for-sale financial assets		(78,646)	93,086
2. Exchange differences on translating foreign operations		(2,492)	107,210
Other comprehensive income attributable to non-controlling interests, net of income tax		14,716	(11,048)
VII. Total comprehensive income		2,762,296	2,524,714
Total comprehensive income attributable to shareholders of the Company		2,336,342	2,247,210
Total comprehensive income attributable to non-controlling interests		425,954	277,504
VIII. Earnings per share	XV3		
(I) Basic earnings per share (RMB/Share)		0.11	0.11
(II) Diluted earnings per share (RMB/Share)		–	–

Summary of Accounting Data and Financial Indicators

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

Unit: RMB'000

	30 June 2016	31 December 2015
Total assets	359,352,957	343,762,819
Total liabilities	287,063,965	272,607,795
Total equity	72,288,992	71,155,024

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

☐ Applicable ☒ Not Applicable

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

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (if applicable)
Profit or loss on disposal of non-current assets	44,126	Note XVII
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature	0	—
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)	260,264	Note XVII
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	0	—
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	0	—
Profit/loss of non-monetary asset swap	0	—
Profit/loss from entrusted investment or asset management	0	—
Provision for impairment of assets due to force majeure i.e. natural disaster	0	—
Profit/loss from debt restructuring	0	—
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	0	—
Profit/loss from the excess of the fair value of a transaction of unfair consideration	0	—
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	0	—
Profit/loss from contingencies irrelevant to the normal operations of the Company	0	—

Summary of Accounting Data and Financial Indicators

Non-recurring profit and loss items	Amount	Note (if applicable)
Change of fair value of financial instruments at FVTPL and profit or loss of disposal of financial instruments at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under company's normal operating business	15,506	Note XVII
Write back of the provision for impairment of accounts receivable that is individually tested for impairment	0	—
Profit/loss from external entrusted loans	0	—
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	0	—
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	0	—
Income of entrustment fees from entrusted operations	0	—
Other non-operating income or expenses other than the above items	29,944	Note XVII
Profit or loss on disposal of long-term equity investments	409,347	Note XVII
Impact on non-controlling interests	-61,074	Note XVII
Impact on income tax	-71,261	Note XVII
Total	626,852	Note XVII

I. BOARD'S DISCUSSION AND ANALYSIS ON THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

(II) Overall Analysis on the Operation of the Company during the Reporting Period

1. *Realizing transformation and development under the guidance of the new strategic positioning*

During the Reporting Period, according to the new strategic positioning of “being the national team for metallurgical construction, the major force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”, the Company achieved both corporate scale and benefit, and improved its own quality while enhancing its efficiency by leveraging the driving forces of technological development, strong capital strength and robust business models to make breakthroughs in the market.

The national team for metallurgical construction: In order to proactively summarize the achievements of all work completed in one year since the top-level design plan of the national team for metallurgical construction was issued and to carry forward the construction of such national team, the Company organized an Expert Panel to compile the Action Manual for National Team of Metallurgical Construction (the “Action Manual”), and established the National Team Construction Expert Committee to provide comprehensive consultation, technical guidance and assessment, thereby ensuring the continuous development of the national team for metallurgical construction. The Action Manual marks a new starting point from which the construction of the national team entered into a new period, representing the significant initial success attributable to the proactive implementation of the new strategic positioning.

In order to proactively implement the Action Manual and satisfy relevant requirements, supervise and urge the first batch subsidiaries in 8 sections and 19 business units of the metallurgical construction, and ensure the overall strength of the national team for metallurgical construction to maintain No.1 worldwide by ranking world's No.1 in their own business units, the Company will invest adequate funds and energy into R&D, foster the improvement of each subsidiary in terms of patents and technologies on an on-going basis, and enable core technologies researched and developed by the national team for metallurgical construction to grow stronger in the equipment manufacture industry, thereby making products the carriers of such technologies and moving forward to the world. Technological advantages of the national team for metallurgical construction will be given full play in the market and specific projects, and therefore, such technologies will be advanced and practiced in the market, and the market advantages of technologies and products will be presented and carried in projects. Ultimately, the global market share of metallurgical construction will increase from 60% at present to 80%. The Company strives to firmly occupy the dominant position of technology and remain absolute leading position in the metallurgical sector.

The major force for fundamental construction: In 2016, the Company continued to keep up with the pace of national strategies such as synergetic development of the Beijing-Tianjin-Hebei Region, Yangtze River Economic Zone, and “One Belt, One Road”, tap the huge potential in urbanized construction and infrastructure construction across the countries and regions along the belt and road, and endeavor for being the main force of the national fundamental construction and the implementation of “One Belt, One Road” strategy.

Report of Directors

In the first half of 2016, in the market of domestic fundamental construction, the Company continued to utilize the composite force of “three forces in one”, develop and construct with advanced technologies, and use its ability of combining techniques and capital to make economically-developed and energetic regions such as “One Belt, One Road”, Beijing-Tianjin-Hebei, Yangtze River Delta, and Pearl River Delta the main battlefields, where fundamental constructions such as premium property construction, highways, municipal infrastructure were vigorously developed. At the same time, the Company further strengthened the design and operation of “macro environment, heavyweight clients and mega projects”, and the communication and cooperation with local governments and large-scale enterprises. As of the end of the Reporting Period, the Company had signed 16 strategic cooperation agreements with municipal governments and large-scale enterprises including Kunming City of Yunnan, Dianzhong New Zone of Yunnan, Guangdong Province, Baoding of Hebei, Sichuan Development, Transport Department of Hebei, Anyang of Henan, Chongqing Liangjian New Area, Xiangjiang New District of Hunan Province. The subject matters of such agreements included projects such as integrated piping system, regional development, municipal infrastructure and highways. The following step is to promote strategic cooperation with Tianjin City, Haikou City of Hainan Province, Sanhe City of Hebei Province, Huanggang City of Hubei Province, Shunyi District of Beijing City, Guizhou Development and Reform Commission, and Guian New Area (the strategic cooperation agreements with Sanhe City of Hebei Province, Guizhou Development and Reform Commission, and Guian New Area were signed in July), etc.

By proactive exploitation and operation, a large number of projects were signed in the first half of 2016. These projects included three highway projects, namely Sanshi, Sanli, and Ziwang of Guizhou, the project of “Unification of Construction and Maintenance” for Rural Highway of “Thirteenth Five-year Plan” in Qiandongnan Prefecture, the project of Industrial New City in Suining Economic and Technological Development Zone, the renovation and construction project in shantytown area of Huiji District, Zhengzhou, the project of Infrastructure Construction of Apollo Future City in Long Gang District, Shenzhen, the construction project of Xiamen Garden International Hotel, and Phase II of Caofeidian Infrastructure Project.

The forerunner of the emerging industries: The Company extended techniques experience and multi-disciplinary and multi-professional integration advantages accumulated for decades to new advantages in the emerging industries. The combination of traditional and newly-developed advantages provided a new engine and momentum for enhancing quality and increasing efficiency, transformation and upgrade. The Company required subsidiary scientific research and design enterprises to creatively transform technical talents in construction and technological advantages except those in the national team construction. The Company has strived for areas in the emerging industries including urban underground integrated pipeline corridor, large theme park construction, sponge city, intelligent city, beautiful countryside, environment and alternative energy. In addition, the Company has accelerated the breakthrough of core technologies and the construction of standard technological system, proactively organized and formulated industrial standards and regulations in the emerging business sector, further improved the power of disclosure in the industry and occupied the dominant position in the market, thereby becoming the veritable forerunner of the emerging industries.

In the first half of 2016, each technology research institute proactively provided technical support, and strengthened exchanges and communications between design institutes and construction enterprises. Subsidiaries also enhanced cooperation among themselves, jointly explored the emerging market, and won the bid for multiple substantial projects:

In the construction of piping system, the Company won the bid for 13 projects including Piping Systems PPP tendered by Yinchuan, Siping, Wuzhong, Wuhan, Shenzhen, etc., and General Contracting Projects which covered 169 kilometers with an investment of RMB14.6 billion. The Company also won the bid for feasibility, consultation, and design projects which covered 135 kilometers, and the planning projects which covered 755 square kilometers (parts of the contracts still remain to be signed).

In the construction of beautiful countryside, the Company won the bid for projects including the project of constructing “Beautiful Countryside” in Shiyan village, Haiyou Street, Sanmen County, Taizhou City, Zhejiang Province, the project of beautiful countryside construction in Hongqi County, Haikou City, phase I of the design project of Hong Shi Lin Geological Park in Youyang, Chongqing, and the project of Sichuan Luohu Peninsula Retirement Community.

In the construction of intelligent city, the Company won the bid for projects including the schematic design of Chongqing Liangjiang New Area Interconnection College Smart Community project, and the design of Guizhou Dasha River National Resort Destination.

In the construction of sponge city, the Company won the bid for projects including the Reconstruction Engineering of Sponge City of Guobo Center Project, being the first sponge city project in Chongqing City, the EPC Project of Infrastructure Construction of Apollo Future City in Long Gang District, Shenzhen City (incorporating integrated subterranean piping system and sponge city), the integrated design project of Wuhan Optics Valley Center (sponge city), Mega Higher Education Center in Hongshan District, Wuhan City, and the planning of Tonghang Industrial Park Sponge City in Hannan District, Wuhan City.

In the first half of 2016, on the basis of the three initial technology research institutes, namely “Technology Research Institute of Piping System”, “Technology Research Institute of Sponge City”, and “Technology Research Institute of Beautiful Countryside and Intelligent City”, the Company established three new technology research institutes: “Technology Research Institute of Theme Park”, “Technology Research Institute of Healthcare Industry”, and “Technology Research Institute of Water Environment”. The Company will strive for the key technologies of constructing theme parks, the development of new materials, the environmental control over river basins and the management of targeted water quality, the treatment and recycle of river sediments and municipal sludge, and the R&D, promotion and application of core technologies of a series of emerging industries such as smart healthcare community.

Long-term adherence to pursuing the path for the development of advanced technologies: refers to the solid establishment of the concept that technological innovation is the initial impetus that leads enterprises for development. It contains a holistic concept of enterprise management including the culture of enterprise innovation, talent motivation mechanism, investment of technological R&D, and business development strategy.

“Long-term adherence to pursuing the path for the development of advanced technologies” is a conclusion reached by MCC on an on-going basis of the history in which the iron and steel industry in China was reconstructed and advanced by leaps and bounds. The systematic, comprehensive, and complex feature of metallurgical engineering provided MCC with technological advantages of comprehensive disciplines and business departments, and prominent innovation abilities, which were not found in other enterprises in the construction industry. Core technologies that ensured the dominant position of MCC in metallurgical industry, irreplaceable integrated advantages throughout the industry chain, and the persistent reform and innovation capabilities were also attributed to the feature mentioned above. Moreover, it helped establish the national team for metallurgical construction and resulted in the achievements that MCC has had. The extension, separation and aggregation of these technological advantages in non-metallurgical engineering area laid the foundation for MCC to become an all-dimension, all-format, and all-industry chain large group in the construction industry, and opened a new chapter in the transformation and development of MCC.

“Long-term adherence to pursuing the path for the development of advanced technologies” meets the requirement of “Five Development Concepts”, meets the objective law of enterprise development at present, and meets the actual condition of MCC’s development. Therefore, “long-term adherence to pursuing the path for the development of advanced technologies” is the only way that leads MCC to reform and develop, enabling MCC to grow bigger and stronger.

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“Long-term adherence to pursuing the path for the development of advanced technologies” means to accelerate the R&D of the emerging technologies that guides the future development of the construction industry, and always occupy the dominant position of technologies. In recent years, based on the new strategic positioning, MCC converged the most premium resources and established many technology institutes, strongly propelling the implementation of new strategies.

In the service of building the national team for metallurgical construction, the Company established the metallurgical engineering technological innovation system which took MCC Research Institute as the main platform, and the business segment of the 19 metallurgical business units as the cutting-edge platform for researches. Through persistent technological innovation, the Company shouldered the national responsibility for guiding the development of China’s metallurgy to a higher level.

In the service of building the major force for fundamental construction, the Company consummated 17 technological innovation platforms at national level including the “National Steel Structure Engineering Technology Research Center” and key laboratories at national level, made use of their functions of being technological guidance and technological guarantee in the construction of infrastructures, and made contributions to improve the overall level of the fundamental construction in China and implement the “One Belt, One Road” strategy.

In the service of becoming the forerunner of the emerging industries, the Company established 6 technology research institutes including Integrated Piping System, Sponge City, Beautiful Countryside and Intelligent City, Theme Park, Healthcare Industry and Water Environment, which located research interests by keeping up with the pace of the nationwide construction in terms of new industrialization, informatization, urbanization, and agricultural modernization, as well as exploiting development potentials of the emerging industries by taking the market demand as an entry-point. By studying crucial and common technologies, the Company proactively led the compilation of relevant regulations and standards, and established technological systems and standard systems accordingly. The Company also mastered core technologies and developed core products to ensure that MCC occupied the dominant position in the market by providing advanced technological advantages, thereby becoming the leading enterprise in the industry.

(1) *Persistently adhere to the guideline of the technological innovation strategy*

The Company proactively implemented the Action Manual, and accelerated the implementation of the action outline of “Advanced manufacturing, 3D printing and Internet +”. By closely focusing on the urgent demand of the restructure and update of the steel and iron industry, and conversing premium resources, the Company made an endeavor to solve energy saving and environmental protection issues throughout all procedures in iron and steel industry system, aiming at the realization of efficient use of resources and energy. The Company also enhanced the research and application of smart iron and steel technologies, unceasingly promoting MCC to move up to a higher level.

The Company strived to make advancements in the construction of technological research institutes for emerging industries with close focus on key issues and difficulties in urban integrated piping systems, sponge city, beautiful countryside and intelligent city, water environment management, healthcare industry, theme park, etc. Relying on the platforms researched and developed by the nation, the Group, and subsidiaries at all levels, by making full use of its technological advantages including the multi-professional and multi-disciplinary centralization, and the production and research integration, the Company mastered the crucial core technologies and enhanced the transformation of achievements. Therefore, an endless power is fueled to the transformation and upgrade, as well as the quality increasing and efficiency enhancing of the Company.

(2) *Continuously enhance the technological support system*

Steady input of resources in high-intensity technology. The Company has been putting resources in high-intensity technology steadily to ensure the smooth development of the selected R&D projects of the Group and guarantee the sustainable development of technology innovation.

Further progress in innovation platform construction. By establishing the MCC Technological Research Institute, the Company has continuously improved the capabilities of R&D and the application of achievements in 17 technological innovation platforms at national level, 56 engineering centers at provincial level, and 52 engineering and technological centers. During the Reporting Period, the “National Research Center of Energy Efficiency Optimization of Steel Production” established with the support of WISDRI has passed the inspection and acceptance in the Ministry of Science and Technology of China.

New achievement in standards compilation. After the issuance of the “Standard for the Engineering and Technology of Urban Integrated Pipeline Corridor (GB50838–2015)”, Technology Research Institute of Piping System is currently compiling the “Standard for the Operational Maintenance and Safety Technology of Integrated Pipeline Corridor”, “Cast Concrete Integrated Pipeline Corridor”, and other national standards, thereby enhancing the power of disclosure of the Company in such area. Technology Research Institute of Beautiful Countryside and Intelligent City and Technology Research Institute of Sponge City compiled and issued a series of standards for enterprises including “MCC Beautiful Countryside PPP Construction Guide Book”, and “MCC Technological Standards for Sponge City Construction”, thereby improving the capabilities of standardized construction in emerging industries, and the efficiency of design and implementation.

New breakthrough in intellectual property rights. The Company further enhanced and improved the layout of intellectual property rights. During the Reporting Period, the Company built patent technology network with core competitiveness based on three areas, namely “metallurgical construction, infrastructure and emerging industries”, thereby establishing intelligent property system supporting the development of principal business. As of 30 June 2016, the Company had a total of 17,693 valid patents, 4,196 of which were invention patents.

(3) *Constant enhancing the capacity of technology innovation*

Newly set-up Technology Research Institute. During the Reporting Period, the Company built three technological research institutes which focus on different research areas, including alternative materials and core technology in engineering construction for theme parks by Theme Park Technology Research Institute, the investment and operation in smart Healthcare and of the Healthcare Project with PPP mode by Healthcare Industry Technology Research Institute, the management and comprehensive utilization of regional water environment systems, and further disposal of industrial waste water and resources utilization by Water Environmental Technology Research Institute. The establishment of research institutions will be technology innovation, speed up the technology research and development and the promotion of application for emerging industries, leading the transformation and upgrading of the Company.

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New goals confirmed for the research and development of emerging industries. During the Reporting Period, all research institutions launched key research and development projects in the leading industries, including the research on assembled steel pipelines, smart pipelines, environment control and segment construction on integrated pipelines by piping system technology research institute, the research and application on rural tourism, smart transport, smart buildings, smart industrial parks by Technology Research Institute of Beautiful Countryside and Intelligent City, and the research on the application of rain and flood model and the analysis of characteristics of city precipitation runoff by Technology Research Institute of Sponge City. These researches on emerging industries keep up with the pace of the market demands, which have positive impact on market exploration of the Company in related fields.

New development directions confirmed on national business of metallurgical. The Company has implemented the steel metallurgical national business of the first progression ladder, state-level technology platform, and the key research and development projects in MCC engineering center, including the research and development on steel metallurgical, non-ferrous metallurgical, mining and other new processes, techniques and equipment in traditional domains, promoting the development of green steel and smart steel to achieve energy conservation and emission reduction in steel product lines and the successful application of related techniques in Zhanjiang Steel Project of Baosteel and Ha Tinh Steel Project of Formosa in Vietnam.

Capitalizing technological advantages in synergistic effect of professional talents from various professional fields and different academic backgrounds. In the whole industry chain for planning, designing, constructing, operating and services, the Company has professional processes such as iron making, steel making and steel rolling, as well as public professional sectors such as civil engineering, drainage, oxygen, gas, heat, ventilation, master plan, automation and informatization with multi-subjects integrated powerful advantages and decades of experience in project construction and advanced technology, consolidating the leading position in traditional domains, expanding rapidly to new industries and constant boosting.

2. *A continued enhancement to strong capabilities in scientific and technological innovations provides a strong and powerful support for the enterprise's sustainability development*

In the first half of 2016, the Company has self-developed and innovated a series of energy conservation and environmental protection achievement such as intelligent environmental protection raw material site, activated carbon synergistic treatment of multiple pollutants, environmental protection coke-oven in new model, etc., which applied successfully to the construction of Zhanjiang project of Baosteel. Regarding to actual production, the site has saved more than 20% of site area; the sintering flue gas desulfurization rate reached 95%; the denitrification rate reached over 50%; and flue gas pollutants from coke-oven offtake reached a low emission level of $\text{SO}_2 < 20 \text{ mg/m}^3$ and $\text{NO}_x < 100 \text{ mg/m}^3$, which was surpassing the national standards and being at an international advanced level.

During the Reporting Period, there were in total three of Company's projects which passed the first assessment of second-class National Award for Progress in Science and Technology, and they were "Key technology and application for ultra-large blast furnace with high efficiency and low consumption", "New technology and industrial application of continuous lead smelting by bottom-blowing smelting, smelting reduction and volatilization of oxygen-enriched" and "Development and application of key technology and equipment for producing high-grade ferronickel by laterite nickel ores". Regarding to the Industry Science and Technology Award, the Company has passed a professional assessment for Metallurgical Science and Technology Award by China Iron and Steel Association and The Chinese Society for Metals in 2016, of which there were two projects passed for each of first-class award, second-class award and third-class award, respectively; the Company has obtained a total of 12 awards of Science and Technology Award of China Nonferrous Metals Industry, among which, there were six first-class awards, four second-class awards and two third-class awards. By obtaining these awards, it further consolidates the power of technology and utterance of the Company in the metallurgical industry. There were in total 31 scientific projects being key promoted by focusing on "China Metallurgical Construction National Team" for those which were contemplated to promote in 2016.

For the emerging industry, the Technical Research Institute of China Metallurgical Pipelines is editing a Standard of Operation Maintenance and Security Technology for Integrated Pipelines with seven countries' standards. It will provide technical protection for specifying integrated pipelines construction in domestic cities. MCC's Research Institute of Beautiful Villages and Intelligent Cities has conducted several studies on projects such as "Development Model on Beautiful Villages Construction", and obtained achievements such as "1+3 Model for Villages Resources Evaluation System", which successfully applied to beautiful villages construction in Youyang, Chongqing and Yanjin, Yunnan and other places.

The Company has organized and established technical research institutes of theme parks, water and environment, and healthcare industry. It will strive for a series of research and development, promotion and application of core technology in emerging industry, such as key technology of theme park engineering construction, new materials development, total volume control of drainage area and target management of water quality, treatment and resource utilization of sediment of river basin and municipal sludge, intelligent healthy community, etc..

On 16 June, the Shanghai Disneyland that the Company had participated in the construction was officially opened to the public. Through implementing BIM technology to the whole industry chain including project tendering, design, construction and operation maintenance, the Company realized the informatization of life cycle and digitalization of technological management with significant application effect, shortening the construction period to 60 days and reducing more than 10% of material cost of pipeline, trestle and other materials.

3. *Seizing the Opportunities amidst the boom in the investment and establishment of PPP projects to raise the proportion of PPP construction project amounts and revenue*

The PPP model is a strategic approach of the central government to national governance, which may strengthen the driving force for the endogenous economic growth and manifest the philosophy of national governance with a modern touch. According to the 2016 second quarterly report for PPP projects issued by the Ministry of Finance, a total of 9,285 projects with an aggregate investment amount of approximately RMB10.6 trillion were added to the database as of the end of June 2016. In particular, 619 projects for which the PPP contracts were executed entered into the implementation stage, and the total investment amount involved was approximately RMB1 trillion. Most of such projects were in the identification, preparation and procurement stage, and the public investors were yet to be determined. Given the above, the market is massive.

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As the PPP model has become the dominant business model in infrastructure and emerging industries, MCC closely follows the direction of the national policies, and has been integrating the industry with finance in an effective manner ever since 2015, which has prompted the rapid development of its PPP business. The PPP model has not only brought about a large amount of newly signed contracts, but also offered a practical business model for establishing a foothold in the field of emerging businesses such as urban underground integrated pipelines tunnels.

MCC is an engineering technology group which takes part in PPP projects as a public investor for the principal purpose of undertaking construction general contracting tasks. In view of such, the Company usually exercises control over the ratio between the investment and financing amount for the PPP projects, does not offer guarantees in any form for the projects and requires the investment and financing amounts for the PPP projects to be recovered from the construction revenue upon the completion of the construction thereof.

Meanwhile, the Company has formulated strong risk avoidance measures for payment recovery to take a prudent approach to the evaluation, approval and participation of projects in order to ensure that the payment can be recovered. Firstly, the Company will allocate all its resources to cost-effective and approved PPP projects with a final implementation plan added to the database of the Ministry of Finance for which the evaluation report on the financial feasibility of the government has been conducted. Secondly, the Company will proactively undertake government procurement projects that are not added to the PPP Project Subcategory in the PPP project database of the Ministry of Finance, provided, however, that the repayment for such projects is included in the resolutions on the budget and the medium-and-long-term plan by the local CPPCC. Thirdly, the Company will take a prudent approach to the approval of and participation in projects that are not added to the PPP project database and do not fall within the scope of government procurement whilst being categorized as PPP projects by the local government. Lastly, the Company will exercise caution in evaluating, reviewing and taking part in the projects located in underdeveloped regions.

As of the end of the Reporting Period, the Company had won the bid for 47 PPP projects in relation to the investment in areas including roads, redevelopment of shantytowns, utility tunnels and the construction of urban infrastructure with a total investment of over RMB120 billion, of which the aggregate investment of the Company accounted for approximately RMB9 billion. The total leveraged construction general contracting amount for such projects exceeded RMB80 billion and it is expected that impressive revenue can be realized therefor. Due to the long implementation period of PPP projects, there shall be a certain interval from the winning of the bid to the execution of PPP contracts to the commencement of the construction. In this regard, there shall be a certain delay in the conversion from PPP projects awarded to the Company to newly signed contract amounts, income and profit.

4. *Develop the overseas market positively and contribute to “One Belt and One Road” construction*

(1) *Reinforce the overseas market layout and increase the bids in overseas project*

During the Reporting Period, the Company continued to optimize and adjust the market structure based on the 2015 strategic emphases of layout in 25 countries and regions over the world to include the new hot-spot and potential areas such as the target countries in which our government encourages to build industrial parks; To include the target countries which can meet the financing policy of AIIB, policy-based financial institutions, credit insurance corporation, the five major funds (China-Africa Fund, China-Latin Fund, ASEAN Fund, China-Eastern Europe Fund and China-Africa Capacity Cooperation Fund); To include the relevant countries which meet the Ten Plans of China-Africa Cooperation or are under the Government Framework Agreement.

As of 30 June 2016, the contract amount of overseas projects that the Company won amounted to USD6.051 billion, representing a year-on-year increase of 201% in which the overseas projects with the amount of USD2.69 billion have been signed. The number of the contracted winning project was more than doubled, mainly from Kuwait, Saudi Arabia, Sri Lanka, Maldives, Malaysia, Algeria and so on.

As at the end of the Reporting Period, the Company had 492 overseas projects, with uncompleted contracts amounting to USD8.99 billion. The projects in process has accomplished the turnover of RMB4.885 billion from January to June in 2016, representing a year-on-year increase of 31.56%.

(2) *Many highlights in overseas business*

Winning the bidding of a large-scale US project for the first time. MCC Overseas Ltd., a subsidiary of the Company, signed the agreement on the construction of retirement properties with American PDC Capital Group with the contract amount of USD0.55 billion. According to the agreement, MCC Overseas Ltd. will participate in the design, procurement and construction management of this project by using the patterns of procurement and processing in China and assembly in America. Through complementing each other with advantages, this project will bring about better economic profits and social benefits.

Signing an overseas metro contract for the first time. MCC Singapore Ltd., a subsidiary of the Company, won the bid for the construction of South Bedok Station and tunnels of Thomas-East Coast Line of Mass Rapid Transit (Singapore) with contracted amount of USD140 million, by utilising advantages as a technology-oriented enterprise and advanced technology. Successful execution of the project symbolizes that the Company has entered a new field in public infrastructure, which has not only enhanced the market impact in the field of domestic building and construction industry, but further supported the new positioning of the Company by “building up a national team of metallurgical construction and being the main force for fundamental construction and the forerunner of new emerging industries, and insisting on high technology construction in the long run”, significantly increasing the brand effect of the Company.

Acquiring another overseas large-scale consolidated-system steel project. After accomplished two steel projects on ten million- tonne-level – Zhanjiang Steel Project of Baosteel and Ha Tinh Steel Project of Formosa in Vietnam, the Company acquired another large-scale consolidated-system steel project overseas—entered into series of contracts with Malaysia-China Kuantu Industrial Park on 3.5 million tonnes steel projects for whole manufacturing processes, including designs, purchasing, constructions procurement, installments, management of equipment materials, project management etc., with more than USD0.8 billion contracted amount. Malaysia-China Kuantu Industrial Park located in the Special Economic Zone, Kuantu, an east costal city, has been listed to be one of the national demonstration bases for “One Belt, One Road” significant projects and cross-border international capacity cooperation. Acquiring such 3.5 million tonnes steel project was a practical action demonstrating the resolution of the Company to “occupy the top position in steel technologies and markets, maintain the world’s No. 1 in metallurgical industry.”

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5. ***Adhering to the operating strategy of stable and healthy development and enforce the risk management and control***

The Company profoundly summarized the experience from the risk-taking financial structure led by the decreasing capability in asset operation on yearly basis, which was attributable to the substantial pay in projects such as BT and BOT projects and certain high-risk investment projects of overseas mining business during 2006 and 2010. By adhering to the operating strategies for stable development and strictly controlling operational risks, the Company was able to continue to improve and increase the quality of and gains on its assets.

Strict approval procedure on investment projects that aimed to prevent risks from possible sources. In recent years, batches of PPP projects had been established under an emerging financing and construction model in the local market and had become extremely popular among operators in the construction market with the proactive efforts paid by governments at all levels. Though PPP, as a pilot model, evolved in diversified and varying forms, the Company was determined in setting its goal clear and putting risk management in the first place rather than merely competing with peers in terms of the number of projects. All PPP projects of MCC shall be reported to the headquarter of the Group for the strict pre-approval procedure on feasibility study and shall be subject to the approval granted at the executive office's meeting before participating in the bidding process in order to practice our core principle and prevent all risks from various sources.

Strengthened settlement in selected areas. With the backdrop of the over-production of steel and iron in China, certain steel and iron manufacturers may be facing the risks of bankruptcy and reorganization under the cold weather together with the implementation of the policy of "elimination of over-capacity" by the country on the steel and iron industry, which had brought along relatively higher risks on the settlement of account receivables and inventories. As such, the Company clarified the selected areas of steel and iron businesses for settlement and established an hierarchical accountability mechanism for losses with strengthened efforts in settlement by various means.

Adhering to the stable strategies for financial development. Firstly, by establishing the accountability mechanism for settlement of receivables and facilitating the progress and efforts in the settlement of inventory, the Company was managed to relate the management of receivables and inventory volume with the performance of its subsidiaries at all levels and its management and take all necessary steps to mitigate the misappropriation of funds and enhance the quality of assets and the capability of asset operation. Secondly, the Company set stringent standards for project selection, which included declining to participate in any bidding process for projects with unsecured funds and unsatisfactory economies of scale, conducting project assessment and preventing operational risks from possible sources. Thirdly, the Company reinforced internal control, optimized incentive and binding systems, well prepared for the pre-organization, concurrent control and post-assessment and examination for various businesses so as to increase the profitability of business and the overall profitability of the Company and the solid and stable development of the Company on an ongoing basis.

(II) Analysis on Major Operating Business

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

Unit: RMB'000

Item	Amount for the current period	Amount for the same period of the previous year	Change in proportion (%)
Operating revenue	95,824,655	100,691,551	-4.83
Operating costs	83,366,785	87,593,659	-4.83
Sales expenses	734,570	606,020	21.21
Administrative expenses	4,361,156	4,067,552	7.22
Financial expenses	1,287,940	1,767,396	-27.13
Net cash flows generated from operating activities	-2,849,369	-4,053,589	N/A
Net cash flows generated from investing activities	-1,194,759	-2,151,899	N/A
Net cash flows generated from financing activities	5,964,191	2,101,512	183.80
Research & development expenses	1,590,464	1,448,960	9.77

2. Analysis on revenue and costs

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

The financial position and operating results of the Company are affected comprehensively by global and national macro-economies, the development of the industries we are in, as well as the implementation and adjustment of the industries, fiscal and monetary policies of the State:

1) Trend of macroscopic economy, both internationally and domestically

Operations of each business of the Company are influenced by global and national macro-economic environment. Global and national macro-economic trends may affect various business processes including purchasing, production and sales, and hence lead to fluctuation of the Company's operating results. Business revenue of the Company is mainly generated domestically, and therefore, the operating performance of the Company may vary in different economic cycles of the State.

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

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

Both Items 1) and 2) above were the major risk factors that impacted the Company's performance in the first half year of 2016.

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

① Impact of changes in the taxation policy

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

Some of the subsidiaries of the Company are benefiting from the tax incentive policy for the development of China's west and new and high technology companies, as well as resource tax, property development tax and the "operation-to-value-added tax program (營改增)" of the construction industry, which all can be affected by changes in the State's policy on taxation. Changes in relevant tax incentive policies may affect the financial performance of the Company.

② Impact of the fluctuation in exchange rates and monetary policies

Part of the Company's assets are distributed overseas and part of the business revenue is from overseas markets. Changes in exchange rates may expose the Company's overseas business revenue and currency settlement to exchange rate risks.

In addition, adjustment in bank reserve requirement ratio and changes in deposit interest rates and lending rates will affect the Company's financing costs and interest income.

4) Overseas taxation policies and their changes

The Company operates in many countries and regions overseas and is subject to various taxes. There may be changes in the tax burden from overseas operations of the Company due to the facts that taxation policies and the tax environment are different in different regions and that the regulations are complex concerning various tax items including corporate income tax, foreign contractor tax, personal income tax, poll tax and interest tax, as well as the adjustment to such tax policies, and therefore, the overseas business may be exposed to relevant risks. In the meantime, the Company may need to make corresponding judgment for the uncertainties brought by tax treatment such as the transactions and other matters of certain operating activities.

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

The Company may, according to the different situations of engineering contracting projects, subcontract non-crucial construction parts to subcontractors. On the one hand, subcontracting boosted the Company's capacity to undertake large-scale projects and to fulfill contracts flexibly. On the other hand, the management of subcontractors and the control of subcontracting costs may also affect profit on projects. The construction subcontracting actually not only enhances the Company's ability to fulfill the contract, but also distracts the contract risk.

7) Operation of subsidiaries and key projects

During the Reporting Period, the Company's polysilicon business ceased to generate loss, but the Ramu Nico Laterite Mine Project in Papua New Guinea remained loss-making. The final result of the third party's auditing of the Western Australia SINO Iron Ore EPC General Contract Project, the recovery of payment for contract work from the government and the recovery of payment from projects of 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 "Focus On Major Businesses of MCC" ("聚焦中冶主業"), strive to further improve the corporate governance and operation of internal control in order to strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. Through the operation of "Big Environment, Big Platform, Big Market, Big Projects and Big Customers" ("大環境、大平台、大市場、大項目、大客戶"), the Company's energy and creativity will be stimulated through reform and innovation, as well as scientific decision-making. Whether these management goals can be effectively implemented will also influence, to quite large extent, the improvement in the operating results of the Company.

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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 "frozen period" in the north, the business revenue of the Company is usually higher in the second half of the year than the first half, leading to an uneven distribution of income.

(2) Information of major suppliers and customers

During the Reporting Period, the total purchase amount to the top five suppliers is RMB1,883,254,000, accounting for 2.26% of the total operating costs. The top five suppliers are mainly engineering and labor subcontracting companies, which have no connection with Company.

Unit: RMB'000

Suppliers	Purchase amount in the current period	As a percentage of the total operating costs of the Company (%)
Party 1	493,252	0.59
Party 2	485,729	0.58
Party 3	327,634	0.39
Party 4	306,453	0.37
Party 5	270,186	0.33
Total	1,883,254	2.26

During the Reporting Period, the operating revenue from the top five customers of the Company is RMB4,511,843,000, accounting for 4.71% of the total operating revenue of the Company. The top five customers have no connection with the Company.

Unit: RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	1,256,196	1.31
Party 2	959,098	1.00
Party 3	858,538	0.90
Party 4	795,579	0.83
Party 5	642,432	0.67
Total	4,511,843	4.71

3. Others

- (1) *Detailed description on significant changes in the components of profit or sources of profit of the Company*

During the Reporting Period, there is no significant change in the components of profit or sources of profit of the Company.

- (2) *Analysis on implementation progress of all kinds of financing and major assets reorganization matters in the previous period*

Upon the consideration of the Board of the Company as well as the consideration and approval at the general meeting, A share class meeting and H share class meeting of the Company, the Company intended to conduct equity refinancing through non-public issuance of A Shares to not more than 10 specific investors. Currently, the matters of the non-public issuance have been approved by the SASAC and have been approved by the CSRC.

- (3) *Progress of operation plan*

The Company has expected to record revenue of RMB230 billion in 2016, while the realized revenue in the first half year is only RMB95.825 billion. The first reason is that the “operation-to-value-added tax programme” of the construction industry has reduced the operating revenue scale to some extent; the second reason is that, affected by “frozen period” in the north and the settlement conventions, the revenue recorded in the second half year is normally higher than that of the first half year. The Company will endeavor to accomplish the revenue year plan.

Report of Directors

(III) Analysis on Operation by Industry, Product or Region

1. Principal operations by industry and product

Unit: RMB'000

Segment	Situation of major business by segment			Increase or decrease in the operating revenue as compared to the same period of last year (%)	Increase or decrease in the operating costs as compared to the same period of last year (%)	Increase or decrease in the gross margin as compared to the same period of last year (%)
	Operating revenue	Operating costs	Gross Margin (%)			
Engineering contracting	81,666,232	73,003,048	10.61	-4.35	-2.59	Decreased by 1.61 percentage points
Property development	9,695,383	6,406,128	33.93	-2.92	-17.62	Increased by 11.80 percentage points
Equipment manufacture	3,057,360	2,656,695	13.10	-20.04	-19.22	Decreased by 0.89 percentage point
Resource development	1,834,972	1,850,178	-0.83	43.04	32.15	Increased by 8.31 percentage points

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

(1) Engineering contracting business

Engineering contracting business is the traditional core business of the Company and is the major source of income and profits of the Company at present. The gross profit margin of the engineering contracting business in the first half year of 2016 and 2015 were 10.61% and 12.22%, respectively, representing a year-on-year decrease of 1.61 percentage points. The year-on-year decrease in the gross profit margin of engineering business was mainly due to the "operation-to-value-added tax programme" launched on 1 May 2016 in the construction industry, which resulted in the exclusion of business taxes and levies in contract revenue and contract gross profit.

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

Unit: RMB'000

Items of receipt	In the first half of 2016		In the first half of 2015		In the first half of 2014	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	24,342,464	29.81	35,647,752	41.75	33,621,035	41.64
Housing construction engineering	37,217,254	45.57	34,014,816	39.84	28,551,749	35.36
Transportation infrastructure	9,705,044	11.88	7,399,136	8.67	8,734,066	10.82
Other engineering	10,401,470	12.74	8,315,748	9.74	9,840,559	12.18

(2) Property development business

The total gross profit margin of the property development business of the Company in the first half year of 2016 and 2015 were 33.93% and 22.13%, respectively, representing a year-on-year increase of 11.80 percentage points. The gross profit margin in the property industry increased greatly as compared with the same period last year, which was mainly attributed to the good revenue from some property development projects.

(3) Equipment manufacture business

The Company's equipment manufacture business mainly included metallurgical equipment, steel structures and other metal products. The gross profit margin of the Company's equipment manufacture business in the first half year of 2016 and 2015 were 13.10% and 13.99%, respectively, representing a decrease of 0.89 percentage point as compared with the same period last year, which was mainly due to the reason that the gross profit margin of certain manufacture projects decreased greatly as affected by industry situations.

(4) Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while Luoyang China Silicon Hi-tech Corporation (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. In the first half year of 2016 and 2015, the gross profit margin of the Company's resource development business were -0.83% and -9.14%, respectively, representing an increase of 8.31 percentage points as compared with the same period last year, which was mainly due to the significant increase in the revenue from the sale and gross profit margin of polysilicon.

2. Principal operations by region

Unit: RMB'000

Region	Operating revenue	Increase or decrease in the operating revenue as compared to the same period of last year (%)
China	89,870,420	-6.25
Other countries/regions	5,954,235	23.24

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

In the first half year of 2016 and 2015, the Company realised overseas operating revenue of RMB5,954,235,000 and RMB4,831,409,000 respectively. The revenue mainly came from the steel factory project in Ha Tinh, Vietnam, the engineering and contracting business including the Kuwait University Town project, the Singapore property development business, the Ramu Nico Laterite Mine Project in Papua New Guinea, and the resource development business in Saindak Copper-Gold Mine in Pakistan.

Report of Directors

(IV) Analysis on Costs and Cash Flow

1. Table of analysis on costs

Unit: RMB'000

Segment	Situation by segment				Percentage change in the amount in the current period as compared to that in the same period in the previous year (%)	Remarks
	Amount in the current period	Proportion of the amount in the current period with respect to the total costs (%)	Amount in the same period in the previous year	Proportion of the amount in the previous year with respect to the total costs (%)		
Engineering contracting	73,003,048	85.68	74,946,935	85.56	-2.59	—
Property development	6,406,128	7.52	7,776,339	8.88	-17.62	—
Equipment manufacture	2,656,695	3.12	3,288,824	3.75	-19.22	—
Resource development	1,850,178	2.17	1,400,015	1.60	32.15	—

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

Unit: RMB'000

Item of cost	In the first half of 2016		In the first half of 2015		In the first half of 2014	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	39,126,201	53.60	41,060,552	54.79	36,117,069	50.70
Materials expenses	18,597,938	25.48	22,563,411	30.11	24,356,337	34.19
Labour costs	3,995,027	5.47	4,110,421	5.48	4,425,552	6.21
Machinery usage fees	1,168,867	1.60	1,405,823	1.88	1,265,323	1.78
Others	10,115,015	13.85	5,806,728	7.74	5,072,223	7.12
Total engineering costs	73,003,048	100.00	74,946,935	100.00	71,236,504	100.00

2. Expenses

(1) Sales expenses

The Company's sales expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In the first half year of 2016 and 2015, the Company's sales expenses were RMB734,570,000 and RMB606,020,000 respectively, representing a year-on-year increase of 21.21%. The proportion of sales expenses to operating revenue in the same period were 0.77% and 0.60% respectively, representing a 0.17 percentage-point increase.

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, research and development expenses, depreciation expenses and office expenses. In the first half year of 2016 and 2015, the Company's administrative expenses were RMB4,361,156,000 and RMB4,067,552,000 respectively, representing a year-on-year increase of 7.22%. The proportions of administrative expenses to operating revenue in the same period were 4.55% and 4.04% respectively, representing a 0.51 percentage-point increase.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In the first half year of 2016 and 2015, the Company's financial expenses were RMB1,287,940,000 and RMB1,767,396,000 respectively, representing a year-on-year decrease of 27.13%. The proportion of financial expenses to operating revenue in the same period were 1.34% and 1.76% respectively, representing a 0.42 percentage-point decrease.

3. Research and development expenditure

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

Unit: RMB'000

Research and development expenditure for the current period	1,590,464
Capitalized research and development expenditure for the current period	0
Total research and development expenditure	1,590,464
Percentage of total research and development expenditure over operating income (%)	1.66
Percentage of capitalized research and development expenditure (%)	0

4. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	For the first half year of 2016	For the first half year of 2015
Net cash flows generated from operating activities	-2,849,369	-4,053,589
Net cash flows generated from investing activities	-1,194,759	-2,151,899
Net cash flows generated from financing activities	5,964,191	2,101,512

Report of Directors

(1) *Operating activities*

For the first half year of 2016 and 2015, the Company's net cash flows generated from operating activities amounted to RMB-2,849,369,000 and RMB-4,053,589,000 respectively. For the first half year of 2016 and 2015, the cash inflow generated from operating activities mainly came from the cash receipts from goods sold and services provided, accounting for 98.11% and 98.71% 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 payments of various types of taxes. For the first half year of 2016 and 2015, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 80.86%, 7.64%, 6.57% and 81.65%, 7.07%, 6.21% respectively.

(2) *Investing activities*

The Company's cash inflow generated from investing activities mainly consisted of cash received from recovered investments, investment profits obtained and disposal of assets. For the first half year of 2016 and 2015, the respective proportions of such cash inflow with respect to the cash inflow generated from operating activities accounted for 81.27%, 5.52%, 6.71% and 6.28%, 57.89%, 17.50% respectively. Cash outflow mainly included cash paid for the purchase and construction of fixed assets, intangible assets and other long-term assets and cash paid for investments. For the first half year of 2016 and 2015, such cash outflow accounted for 45.05%, 32.87% and 56.09%, 21.31%, respectively with respect to the cash outflow generated from investment activities.

For the first half year of 2016 and 2015, the Company's net cash flows generated from investing activities amounted to RMB-1,194,759,000 and RMB-2,151,899,000 respectively. The Company's investing activities mainly involved the engineering contracting and property development business.

(3) *Financing activities*

The Company's cash inflow generated from financing activities mainly consisted of cash received from obtaining loans, which accounted for 97.54% and 86.48% respectively with respect to the cash inflow generated from financing activities for the first half year of 2016 and 2015. The Company's cash outflow generated from financing activities mainly consisted of cash paid for debt repayment and cash paid for the distribution of dividend, profits or interest repayments, accounting for 90.67%, 9.15% and 93.33%, 6.56% respectively of the cash outflow generated from financing activities for the first half year of 2016 and 2015.

For the first half of 2016 and 2015, the net cash flows generated from financing activities of the Company were RMB5,964,191,000 and RMB2,101,512,000 respectively.

(V) **Description on Material Changes in Profits from Non-principal Business**

☐ Applicable ☒ Not Applicable

Report of Directors

(VI) Analysis on Assets and Liabilities

Assets and Liabilities

Unit: RMB'000

Items	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to the total assets/total liabilities (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period with respect to the total assets/total liabilities (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)
Current assets:	290,061,398	80.72	275,558,793	80.16	5.26
Bank and cash balances	34,517,437	9.61	33,730,706	9.81	2.33
Accounts receivable	65,829,640	18.32	63,663,109	18.52	3.40
Other receivables	32,285,527	8.98	29,056,798	8.45	11.11
Inventories	124,260,933	34.58	115,305,237	33.54	7.77
Non-current assets:	69,291,559	19.28	68,204,026	19.84	1.59
Long-term receivables	7,873,169	2.19	7,882,521	2.29	-0.12
Fixed assets	30,318,647	8.44	30,154,218	8.77	0.55
Intangible assets	14,558,607	4.05	14,527,346	4.23	0.22
Total assets	359,352,957	100.00	343,762,819	100.00	4.54
Current liabilities:	246,646,689	85.92	235,474,624	86.38	4.74
Short-term borrowings	49,046,355	17.09	36,798,152	13.50	33.28
Accounts payable	97,877,462	34.10	93,413,988	34.27	4.78
Receipts in advance	32,415,985	11.29	30,139,959	11.06	7.55
Other payables	20,093,553	7.00	16,294,450	5.98	23.32
Non-current liabilities:	40,417,276	14.08	37,133,171	13.62	8.84
Long-term borrowings	23,687,767	8.25	19,259,931	7.07	22.99
Bonds payable	9,994,726	3.48	10,972,486	4.03	-8.91
Total liabilities	287,063,965	100.00	272,607,795	100.00	5.30

Report of Directors

1. **Analysis on structures of assets and liabilities**

(1) *Analysis on the structure of assets*

As at 30 June 2016 and 31 December 2015, the total assets of the Company were RMB359,352,957,000 and RMB343,762,819,000 respectively.

As a consolidated group with engineering contracting and property development as its main business, current assets are the main components of the Company's assets. As at 30 June 2016 and 31 December 2015, the proportions of the Company's current assets with respect to the total assets were 80.72% and 80.16% respectively. Current assets mainly included cash and bank balances, bills receivable, accounts receivable, prepayments, other receivables, inventories, etc. Non-current assets mainly included long-term receivables, fixed assets, construction in progress and intangible assets, etc.

Cash and bank balances

The cash and bank balances of the Company mainly comprised cash on hand, bank deposit and other cash and bank balances. Given the characteristics of the business which the company operates, the Company usually keeps proper cash and bank balances to meet the production and operation needs.

As at 30 June 2016 and 31 December 2015, the balances of cash and bank balances of the Company were RMB34,517,437,000 and RMB33,730,706,000 respectively, accounting for 11.90% and 12.24% of the current assets respectively.

As at 30 June 2016 and 31 December 2015, the restricted cash and bank balances of the Company were RMB3,789,648,000 and RMB4,994,328,000 respectively, which accounted for 10.98% and 14.81% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, statutory reserve, guarantee deposits and frozen deposits, etc, representing a decrease of as 24.12% compared to the end of last year, mainly due to the decrease in the cash deposits of acceptance bill.

Accounts receivable

The accounts receivable of the Company mainly included engineering receivables, product sales receivables as well as designing, consultancy and technical services receivables, etc.

As at 30 June 2016 and 31 December 2015, the Company's net accounts receivable were RMB65,829,640,000 and RMB63,663,109,000 respectively, accounting for 22.70% and 23.10% of the current assets respectively. Net accounts receivable increased by 3.40%. The increase in the accounts receivable was mainly attributed to the changes in the business mode and extension of payment cycle from property owners. On one hand, in keeping the leading position in the market of metallurgical engineering, the Company, based on the changes of the market environment, actively carried out business transformation and worked hard to develop non-metallurgical engineering projects as well as projects in connection with people's livelihood, urban comprehensive development and municipal infrastructure. Generally, the clients of such kind of projects are local governmental departments and large and medium scale enterprises, and therefore, the settlement cycle of such projects are relatively long; on the other hand, as significantly affected by adjustment of iron and steel industry and economic downward pressure, the overcapacity of iron and steel enterprises and relative shortage of funds prolonged the recovery cycle of relevant receivables. The prolonged payment cycle of property owners directly resulted in a significant year-on-year increase in the accounts receivable at the end of the Reporting Period of the Company. The Company always has great emphasis on the safety and completeness of accounts receivable and timely collect each of the receivables based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to receivables with potential risks in collectability pursuant to the accounting policies of the Company, but the efforts put to collect the receivables will not be affected. The Company will continue to gradually reduce the amount and proportion of accounts receivable by selecting quality customers, adjusting business mode, and linking the recovery of due receivables with performance appraisal.

As of 30 June 2016, calculated based on the original carrying amount, the ageings of 77.16% of the Company's accounts receivable were within two years (inclusive), the ageings of 58.70% of the accounts receivable were within one year (inclusive). The aged structure of the accounts receivable was related to the business characteristics, operation mode and settlement cycle of the Company, etc.

In order to avoid the possible risks of bad debts, the Company enhanced the overall management of accounts receivable, took into full accounts of the nature and recoverability of accounts receivable as well as made relevant bad debt provisions to fairly reflect the quality of the Company's assets. As at 30 June 2016 and 31 December 2015, the balances of the Company's provisions for bad debts of accounts receivable were RMB10,580,036,000 and RMB9,451,939,000 respectively, accounting for 13.85% and 12.93% of the original amount of the accounts receivable.

Other receivables

The Company's other receivables mainly included performance deposit, bidding deposit and other kinds of deposits.

As at 30 June 2016 and 31 December 2015, the Company's net amount of other receivables were RMB32,285,527,000 and RMB29,056,798,000 respectively, accounting for 11.13% and 10.54% of the current assets respectively. Net amount of other receivables increased by 11.11%, mainly due to the increase in deposits paid to third parties.

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As of 30 June 2016, calculated based on the original carrying amount, the ageings of approximately 83.41% of the Company's other receivables were within two years (inclusive), the ageings of approximately 65.29% of the other receivables were within one year (inclusive). The Company also made relevant bad debt provisions for the other receivables with bad debt risks. As at 30 June 2016 and 31 December 2015, the balances of the provisions for bad debts of other receivables were RMB2,585,562,000 and RMB2,449,911,000 respectively, accounting for 7.41% and 7.78% of the original amount of other receivables respectively.

Inventories

The inventories of the Company mainly comprised the engineering construction completed but yet to settle, the costs of property development, products of property development, raw materials, goods in process and commodity inventory. The inventory structure of the Company presented the characteristics of engineering and construction, property development, equipment manufacturing and resource development and other business, which the Company operates.

As at 30 June 2016 and 31 December 2015, the net amounts of the Company's inventories were RMB124,260,933,000 and RMB115,305,237,000 respectively, accounting for 42.84% and 41.84% respectively with respect to the current assets. The net amount of inventories increased by 7.77%. As of 30 June 2016, the original amount of inventories of the engineering construction completed but yet to settle of the Company accounted for 48.85% of the total original amount of the inventories and the original amount of inventories of the costs and products of property development accounted for 44.63% of the total original amount of the inventories. The Company also withdrew relevant falling price provisions for the inventories. As of 30 June 2016 and 31 December 2015, the falling price provisions for the inventories of the Company amounted to RMB1,822,039,000 and RMB1,885,745,000 respectively, which accounted for 1.45% and 1.61% respectively of the original amount of the inventories at the end of the period.

Long-term receivables

The Company's long-term receivables mainly including such receivables with an agreed term of more than one year pursuant to the contracts.

As at 30 June 2016 and 31 December 2015, the Company's net long-term receivables were RMB7,873,169,000 and RMB7,882,521,000 respectively, accounting for 11.36% and 11.56% of the non-current assets respectively. The net long-term receivables decreased by 0.12% mainly due to the Company's strengthened efforts to recover such receivables and the adoption of various measures to recover engineering receivables in affordable housing and urban infrastructure projects.

Fixed assets

As at 30 June 2016 and 31 December 2015, the Company's net fixed assets were RMB30,318,647,000 and RMB30,154,218,000 respectively, accounting for 43.76% and 44.21% of the non-current assets respectively. The Company's fixed assets mainly included buildings, machinery and equipment and motor vehicles, etc.

Intangible assets

As at 30 June 2016 and 31 December 2015, the aggregated carrying value of the Company's intangible assets were RMB14,558,607,000 and RMB14,527,346,000 respectively, accounting for 21.01% and 21.30% of the non-current assets respectively. The Company's intangible assets mainly included land use rights, the right to use the franchise and patent and proprietary technology, etc.

(2) *Analysis on the structure of liabilities*

As at 30 June 2016 and 31 December 2015, the current liabilities accounted for 85.92% and 86.38% of the total liabilities respectively and the non-current liabilities accounted for 14.08% and 13.62% of the total liabilities respectively.

Short-term borrowings

The Company's short-term borrowings mainly consisted of borrowings on credit and guaranteed borrowings from commercial banks and other financial organizations. As at 30 June 2016 and 31 December 2015, the balances of the Company's short-term borrowings were RMB49,046,355,000 and RMB36,798,152,000 respectively, representing a year-on-year increase of 33.28%. The amount of the short-term borrowings increased mainly due to the adjustments to the borrowing structure for operating and development needs of the Company.

Accounts payable and other payables

Accounts payable mainly included material costs payable to suppliers and engineering costs payable to subcontractors. Other payables mainly included guarantee, deposits and leasing fee, etc.

As at 30 June 2016 and 31 December 2015, the balance of the Company's accounts payable and other payables were RMB97,877,462,000, RMB20,093,553,000 and RMB93,413,988,000, RMB16,294,450,000 respectively, accounting for 34.10%, 7.00% and 34.27%, 5.98% respectively of total liabilities.

The increase in the accounts payable was mainly due to the increase in the subcontracting and engineering costs payable. The increase in other payables was mainly due to the increase in the guarantee and deposits payable.

Receipts in advance

Receipts in advance mainly included advance receipts under construction contracts, reserves for material costs, gross amounts due to contract customers and amount received in advance for the sales of properties.

As at 30 June 2016 and 31 December 2015, the balance of receipts in advance of the Company were RMB32,415,985,000 and RMB30,139,959,000 respectively, accounting for 11.29% and 11.06% respectively of the total liabilities. As at 30 June 2016, the receipts in advance increased by 7.55% as compared to that as at 31 December 2015, mainly because of the increase in receipts in advance for engineering receivables and sales proceeds.

Long-term borrowings and bonds payable

The Company's long-term borrowings mainly consisted of credit borrowings, secured borrowings and pledged borrowings. As at 30 June 2016 and 31 December 2015, the balances of the Company's long-term borrowings were RMB23,687,767,000 and RMB19,259,931,000 respectively, accounting for 8.25% and 7.07% respectively of total liabilities.

As at 30 June 2016 and 31 December 2015, the balances of the Company's bonds payable were RMB9,994,726,000 and RMB10,972,486,000 respectively, accounting for 3.48% and 4.03% respectively of total liabilities.

Report of Directors

2. Analysis on solvency

The indicators of major solvency calculated based on the Company's audited 2015 financial report and the reviewed financial statements for the six months ended 30 June 2016 were as follows:

Unit: RMB'000

Items	30 June 2016	31 December 2015
Current ratio (x)	1.18	1.17
Quick ratio (x)	0.67	0.68

Items	January – June of 2016	January – June of 2015
Earnings before interest and tax	5,145,383	5,522,097
Interest coverage	3.28	2.74

Items	30 June 2016	31 December 2015
Total liability	287,063,965	272,607,795
Total asset	359,352,957	343,762,819
Asset-liability ratio (consolidated)	79.88%	79.30%

(1) *The indicators for the flow of assets remain stable*

As at 30 June 2016 and 31 December 2015, the current ratios of the Company were 1.18 and 1.17 respectively and the quick ratios were 0.67 and 0.68 respectively, remaining stable in asset liquidity.

(2) *Year-on-year rise in consolidated asset liability ratio*

As at 30 June 2016 and 31 December 2015, the Company's consolidated asset liability ratios were 79.88% and 79.30% respectively, representing a year-on-year increase of 0.58 percentage point.

(3) *Year-on-year rise in interest coverage*

From January to June of 2016 and from January to June of 2015, the Company's interest coverage were 3.28 and 2.74 respectively, representing a year-on-year increase of 0.54 time. The Company's solvency of interest-bearing liabilities was improved.

(4) *Smooth financing channels*

The Company has been maintaining long-term and stable business relationships with several overseas and domestic major commercial and policy banks and other financial institutions. It has also been maintaining smooth financing channels with good credit record and ratings by banks. Meanwhile, the Company is of good standing and has issued short-term financing bonds and mid-term notes for several times in the capital markets. It has strong financing capability.

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The Company will also adopt the following measures to improve the short-term solvency and the safety of financial structure continuously: to improve the management and efficiency of fund operation; accelerate the fund recovery, so as to continuously improve the cash flows of operating activities; scientifically allocate resources and arrange the asset structure reasonably; unceasingly enhance the standards of operation and management, and thoroughly implement the measures on cost reduction and efficiency improvement, with an aim to improving the capacity of accumulation in operation, strengthen financial capacity and ensure solvency.

3. Analysis on capability of asset turnover

During the Reporting Period, the indicators for the Company's capability of major asset turnover were as follows:

Unit: times/half year

Items	First half of 2016	First half of 2015
Total assets turnover ratio	0.27	0.30
Accounts receivable turnover ratio	1.28	1.54
Inventory turnover ratio	0.69	0.75

(1) Total assets turnover ratio

In the first half of 2016 and first half of 2015, the Company's total assets turnover ratios were 0.27 time and 0.30 time respectively, representing a slight decrease during the Reporting Period. This was mainly due to the fact that the increment in the Company's operating revenue during the Reporting Period was lower than that of total assets.

(2) Accounts receivable turnover ratio

In the first half of 2016 and first half of 2015, the Company's accounts receivable turnover ratios were 1.28 times and 1.54 times respectively, representing a slight decrease during the Reporting Period. This was mainly due to the increase in the scale of the Company's accounts receivable under the influence of the changes in the settlement cycle and business mode of the engineering and contracting business.

(3) Inventory turnover ratio

In the first half of 2016 and first half of 2015, the Company's inventory turnover ratios were 0.69 time and 0.75 time respectively, representing a slight decrease during the Reporting Period. This was mainly due to the higher speed of growth in inventory than that in operating costs.

Report of Directors

(VII) 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	1,548	361	2,471	617	4,997
Total amount	3,536,050	1,673,034	9,255,664	6,005,375	20,470,123

Unit: RMB'000

Project region	Domestic	Overseas	Total
Number of projects	4,914	83	4,997
Total amount	20,324,007	146,116	20,470,123

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

2. Projects in construction during the Reporting Period

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Metallurgical engineering	Others	Total
Number of projects	2,209	508	3,675	1,158	7,550
Total amount	33,776,596	8,679,390	15,564,515	4,749,171	62,769,672

Unit: RMB'000

Project Region	Domestic	Overseas	Total
Number of projects	7,227	323	7,550
Total amount	58,073,223	4,696,449	62,769,672

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

3. Substantial projects in construction

☐ Applicable ☒ Not Applicable

Report of Directors

4. Overseas Projects during the Reporting Period

Unit: RMB'000

Project region	Number of projects	Total amount
Asia	318	4,105,041
Africa	89	148,986
South America	32	112,345
Europe	23	119,717
Oceania	19	287,146
North America	11	111,442
Total	492	4,884,677

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

5. Summary of completed yet unsettled constructions among the inventory

Unit: RMB'000

Project	Accumulated contract costs	Accumulated recognized profits	Estimated loss	Accumulated settlements	Balance of completed yet unsettled constructions
Amount	647,526,141	52,764,563	1,260,121	638,703,862	60,326,721

(VIII) Analysis on Core Competitiveness

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

Report of Directors

(IX) Investment Analysis

1. Overall Analysis on External Equity Investments

(1) Securities investment

No.	Stock variety	Stock code	Stock abbreviation	Initial Investment Amount (RMB)	Number of shares held (share)	Carrying amount at the end of the period (RMB)	Percentage in securities investment held at the end of the period (%)	Gain or loss incurred in the Reporting Period (RMB)
1	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	844,511	100	-310,651
Total				498,768	/	844,511	100	-310,651

(2) 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	Source of shares
601328	Bank of Communications	93,402	0.05	0.05	252,361	-	-36,500	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000709	Hebei Steel	10,337	0.79	0.79	7,882	-	-1,593	Available-for-sale financial assets	Initial shares
600665	Tande	1,122	0.02	0.02	768	-	-450	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.20	0.20	7,513	-	-2,898	Available-for-sale financial assets	Initial shares
600729	Chongqing Department Store	450	0.11	0.11	11,019	-	-3,958	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.04	0.04	2,813	-	-933	Available-for-sale financial assets	Initial shares
600643	AJ Corporation	275	0.01	-	-	2,608	-	Available-for-sale financial assets	Initial shares
000939	Kaidi Ecological	2,502	1.10	1.10	91,638	-	-55,803	Available-for-sale financial assets	Initial shares
600642	Shenergy	188	0.01	0.01	258	-	-82	Available-for-sale financial assets	Initial shares
Total		110,096	/	/	374,252	2,608	-102,217	/	/

Report of Directors

(3) Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment amount (RMB)	Percentage of shareholding at the beginning of the period (%)	Percentage of shareholding at the end of the period (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Changes in owners' equity during the Reporting Period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	1.28	1.28	30,000,000	-	-	Available-for-sale financial assets	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	0.74	0.74	27,696,000	-	-	Available-for-sale financial assets	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	17,097,680	2.20	2.20	17,097,680	924,693	-	Available-for-sale financial assets	By acquisition
Beijing Hengjiatai Construction Investment Fund Management Co., Ltd. (北京恒嘉泰建設投資基金管理有限公司)	11,671,600	18.37	18.37	11,671,600	-	-	Available-for-sale financial assets	By acquisition
Wusteel Group Financial Company (武鋼集團財務公司)	2,000,000	0.13	0.13	2,000,000	-	-	Available-for-sale financial assets	By acquisition
Shenyin & Wanguo Securities Co., Ltd. (申銀萬國證券股份有限公司)	2,000,000	0.02	0.02	2,000,000	-	-	Available-for-sale financial assets	By acquisition
Total	90,465,280	/	/	90,465,280	924,693	-	/	/

Report of Directors

2. Entrusted wealth management with non-financial institutions and derivative investment

(1) Entrusted wealth management

During the Reporting Period, the Company had no entrusted wealth management.

(2) Entrusted loans

Unit: RMB0'000

Name of the lender	Name of the borrower	Relationship between the borrower and the listed company	Amount of entrusted loan	Term of loan	Interest rate of loan	Use of loan	Collateral or guarantor	Overdue or not	Connected transaction or not	Extended or not	Involving proceedings or not	Source of funding and whether it is proceeds raised	Connected relationship	Expected revenue	Profit or loss of the investment
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd.	Associate	10,005	2014/12/4 to 2016/12/3	15%	Engineering segment	Nil	No	No	Yes ⁽¹⁾	No	No	N/A	3,100.50	758.71
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd.	Associate	4,070	2015/1/23 to 2017/1/22	15%	Engineering segment	Nil	No	No	Yes ⁽²⁾	No	No	N/A	1,221.00	271.33
China MCC 5 Group Co., Ltd.	Sichuan HangYe Industrial Co., Ltd.	Associate	9,360	2015/8/19 to 2016/8/18	15%	Engineering segment	Nil	No	No	No	No	No	N/A	1,404.00	709.80
MCC Real Estate Group Co., Ltd	Hebei MCC Mingrun Real Estate Development Co., Ltd	Joint Venture	90,000	2016/1/26 to 2017/1/25	5.7%	Property segment	Nil	No	No	No	No	No	N/A	5,130.00	2,237.25

Note (1): On 3 December 2015, the entrusted loan was extended for one year after due.

Note (2): On 22 January 2016, the entrusted loan was extended for one year after due.

(3) Other investments in wealth management and derivatives

☐ Applicable ☒ Not Applicable

Report of Directors

3. Use of proceeds

(1) Overall status of the use of proceeds

Unit: '00 million

Year of raising the proceeds	Way of fund raising	Total proceeds raised	Total proceeds used during the Reporting Period	Accumulative amount of proceeds used	Total unused proceeds	Use of the unused proceeds and where they are deposited with
2009	Initial public offering of A Share	RMB18.359 billion	0	RMB17.423 billion	RMB1.192 billion ⁽¹⁾	Deposited with the special account for proceeds of the Company (excluding the supplemental working capital of RMB1.19 billion) and to be invested in relevant projects undertaken by the Company
2009	Initial public offering of H Share	HKD15.585 billion	HKD0.070 billion	HKD13.186 billion	HKD521 million ⁽²⁾	Deposited with the special account for proceeds of the Company (excluding the supplemental working capital of HKD1.878 billion) and the account will be used on an ongoing basis
Total	/	/	/	/	/	

Note (1): including interest generated from the bank deposits of the proceeds and the unused proceeds used for replenishing the working capital temporarily.

Note (2): excluding interest accrued on deposits, etc.

In March 2015, as considered and approved at the fourth meeting of the second session of the Board of the Company, certain part of the unused proceeds of A Share were approved to replenish the working capital temporarily, with the total amount of no more than RMB1,181 million and the term of no more than one year (for details, please see the announcement disclosed by the Company on 28 March 2015). According to the above resolution, the Company and its subsidiaries had used the unused A Share proceeds of RMB1,181 million to replenish the working capital temporarily. As of 21 March 2016, the Company has returned the entire amount of the above capital to the special account for A Share proceeds.

In March 2016, as considered and approved at the eighth meeting of the second session of the Board of the Company, certain part of the unused A Share proceeds were approved to replenish the working capital temporarily, with the total amount of no more than RMB1.19 billion and the term of no more than one year (for details, please see the announcement disclosed by the Company on 30 March 2016). According to the above resolution, the Company and its subsidiaries had used the unused A Share proceeds of RMB1.19 billion to replenish the working capital temporarily as of the end of the Reporting Period.

In March 2016, as considered and approved at the nineteenth meeting of the second session of the Board of the Company, unused H Share proceeds of RMB2.1 billion (equivalent to approximately HKD2.507 billion) were approved to replenish the working capital of overseas engineering project temporarily with the term of one year (for details, please see the announcement disclosed by the Company on 30 March 2016). Pursuant to the above resolution, as of the end of the Reporting Period, unused H Share proceeds of HKD1.878 billion were used to replenish the working capital temporarily.

Report of Directors

(2) Projects undertaken which were financed by A Share proceeds

Unit: RMB 0'000

Name of the project undertaken	Any Changes to the project	Amount of proceeds to be invested	Amount of proceeds invested during the Reporting Period	Accumulative amount of proceeds invested	Whether it is in line with the schedule	Progress of the project	Estimated returns	Revenue generated	Whether it is in line with estimated return	Explanation of project falling behind schedule or failing to achieve returns as expected	Explanation of reasons for and procedure of change in proceeds
Afghanistan Aynak copper mine project	No	85,000.00	0	0.00	No	0.00%	Internal rate of return of 11.01%	Cannot be confirmed until completion of the project	-	The normal promotion of the project is affected by excavation of relics, mine clearance and removal of mines and delay in transfer of land, which are processed by Afghanistan side. The Company is putting effort on revising the mining contract through negotiation to improve the investment efficiency of the project, and achieve actual progress for the project as soon as possible.	
Ramu nickel laterite mine project	No	250,000.00	0	250,000.04 ⁽¹⁾	Yes	100%	Internal rate of return of 12.67%	Realized a total profit of 3,585.4977 million	No	Since its commencement of production in 2013, the Ramu Project has been conducting each of the production and operation work surrounding the achievement of production volume and standard. In the fourth quarter of 2015, the ratio of actual production capacity to designed capacity has become stable and above 90%. The project has basically been fulfilled in terms of production. As compared with international similar projects, unit investment of Ramu Project is low and the fulfillment of the production can be achieved in a short period with highest productivity at low unit costs. The most influential external factor of the Ramu Project is the significant decrease of the nickel price. Ramu Project suspended production for two and a half months due to a production safety accident in April 2016, which resulted in a lower production volume during the Reporting Period. (For the details of relevant situation please see "Status of the substantial resources projects" in the section of "Significant Events").	

Name of the project undertaken	Any Changes to the project	Amount of proceeds to be invested	Amount of proceeds invested		Whether it is in line with the schedule	Progress of the project	Estimated returns	Revenue generated	Whether it is in line with estimated return	Explanation of project falling behind schedule or failing to achieve returns as expected	Explanation of reasons for and procedure of change in proceeds
			Reporting Period	Accumulative actual amount of proceeds invested							
The innovation base project of the National Steel Structures Engineering Technology Research Centre	Yes	55,453.95	0	42,817.56	No	77.21%	N/A	N/A	N/A	The project is in process, and part of the proceeds have not been fully used.	Upon consideration and approval at the 2010 annual general meeting, it was agreed that the use of 750 million out of 1,500 million, the proceeds intended to be invested in the "innovation base project of the National Steel Structures Engineering Technology Research Center" be changed as replenishment of working capital of the Company. As considered and approved at the 2013 first extraordinary general meeting, the principal and interest of the proceeds, to be utilized after 2014 as planned were changed to replenishment of working capital.
Equipment purchased for engineering, contracting and research and development	Yes	187,036.12	0	198,304.73 ⁽¹⁾	No	100%	Internal rate of return of 15.99%	N/A	N/A		As considered and approved at the 2013 first extraordinary general meeting, it was agreed that the remaining proceeds and interest of the project be changed to replenishment of working capital of each relevant subsidiary.
The new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping County, Shaanxi Province	No	64,300.00	0	64,308.53 ⁽¹⁾	Yes	100%	Internal rate of return of 10.65%	Cannot be confirmed until completion of the project	N/A	The commissioning of all the equipment has been completed, and the commissioning process is smooth but not yet fulfill the terms of the production so the earnings are uncertain at this stage.	

Report of Directors

Name of the project undertaken	Any Changes to the project	Amount of proceeds to be invested	Amount of proceeds invested during the Reporting Period		Whether it is in line with the schedule	Progress of the project	Estimated returns	Revenue generated	Whether it is in line with estimated return	Explanation of project falling behind schedule or failing to achieve returns as expected	Explanation of reasons for and procedure of change in proceeds
			Invested	Actual							
The project in Caofidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project	No	44,000.00	0	44,044.10 ⁽¹⁾	Yes	100%	Internal rate of return of 17.60%	Realized a total profit of 21.5862 million	No	There are changes in economic environment, and the actual production capacity is far from the designed production capacity, which resulted that the investment earnings are lower than the expectation.	
The project in relation to an annual production of 400,000 tons of ERW welded pipes by MCC Liaoning Dragon Pipe Industries Co., Ltd. (中冶辽宁龙腾钢管有限公司)	Yes	20,436.04	0	20,667.54 ⁽¹⁾	Yes	100%	Internal rate of return of 20.90%	Realized a total profit of -19.25 million	No	In the first half year of 2016, affected by downturn of international and domestic environment and the higher project expenses and costs, each of the operation indicators did not reach the expectation.	As considered and approved at the 2013 first extraordinary general meeting, it was agreed that the remaining A Share proceeds and interest of the fixed assets investment in the project be changed to working capital.
The project in relation to the production base for an annual production of 100,000 tons of quality steel structures (a production line for wind tower tube) in Anshan, Liaoning	Yes	0.00	0	0.00	-	-	-	-	-	Upon approval at the 2010 annual general meeting, this project had been entirely changed into "large multiram die forgings and heavy equipment automation industrial base construction project".	
Large multiram die forgings and heavy equipment automation industrial base construction project	No	48,200.00	0	39,001.18	No	80.92%	Internal rate of return of 17.10%	Realized a total profit of 4.8302 million	No	The pre-stressed and wire twined multidirectional forging press machine produced by multiram die forgings filled the gap in the country and the 40MN, 120MN and 300MN multiram forging hydraulic pressure machines in the project were constructed step by step. The production line of 120MN multiram forging hydraulic pressure machine has completed joint testing and is optioning the forging and crafting.	

Name of the project undertaken	Any Changes to the project	Amount of proceeds to be invested	Amount of proceeds invested during the Reporting Period	Accumulative amount of proceeds invested	Whether it is in line with the schedule	Progress of the project	Estimated returns	Revenue generated	Whether it is in line with estimated return	Explanation of project falling behind schedule or failing to achieve returns as expected	Explanation of reasons for and procedure of change in proceeds
The land development project in Gaohang Land Parcel, Pudong	No	58,800.00	0	58,800.00	Yes	100%	Internal rate of return of 16.35%	Realized a total profit of 688.4735 million	Yes		
The land development project of old town area renovation work (Phase II) in Yuan Yang Old Town, Jing Kai Yuan, North New District, Chongqing	No	50,000.00	0	50,693.73 ⁽¹⁾	Yes	100%	Internal rate of return of 29.07%	Realized a total profit of 611.3465 million	Yes		
Replenishment of working capital and repayment of bank loans	No	821,573.89	0	821,573.89	N/A	N/A	N/A	N/A	N/A		
Replenishment of working capital and repayment of bank loans by oversubscription proceeds	No	151,097.24	0	151,097.24	N/A	N/A	N/A	N/A	N/A		
Total	/	1,835,897.24	0	1,742,308.54	/	/	/	/	/	/	/

Note (1): The part of the actual amount of proceeds invested in the projects in excess of proceeds to be invested was the interest generated from the respective account designated for raised proceeds.

Report of Directors

(3) Projects undertaken which were financed by H Share proceeds

Unit: 0'000 Currency: HKD

Name of the project undertaken	Any Changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Progress of utilisation of proceeds	Revenue generated	Explanation of project falling behind schedule or failing to achieve returns as expected
Overseas resources development projects	No	Approximately 32% of H Share proceeds	260,185.98	In progress	Cannot be confirmed until completion of the project	Injection period
Overseas construction project	No	Approximately 45% of H Share proceeds	700,000.00	Completed	Cannot be confirmed until completion of the project	Injection period
Potential acquisitions of overseas resources	No	Approximately 0.1% of H Share proceeds	1,062.62	Completed	Cannot be confirmed until completion of the project	Injection period
Repayment of bank loans and replenishment of working capital	No	Approximately 11% of H Share proceeds	174,000.00	Completed	N/A	N/A
Working capital of overseas engineering contracting projects ⁽¹⁾	Yes	Approximately 12% of H Share proceeds	183,330.39	Completed	Cannot be confirmed until completion of the project	Injection period
Sub-total	—	—	1,318,578.99	—	—	—

Note (1): As considered and approved by the 2013 first extraordinary general meeting convened on 22 November 2013, the H Share proceeds of approximately HKD1,833 million were changed into the working capital of overseas engineering contracting projects.

4. Analysis on major subsidiaries and investees of the Company

For details of information relating to major controlling companies of the Company, please refer to Note "IX Interests in Other Entities" to the financial statements of this report.

5. Information on projects not using proceeds raised

During the Reporting Period, the Company had no material project not invested in using the proceeds raised.

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

(I) Implementation or adjustment of the Profit Distribution Plan during the Reporting Period

Upon consideration and approval at the 2016 first extraordinary general meeting of the Company, the Profit Distribution Plan of the Company in the year of 2015 is listed as below: based on the total share capital of 19,110,000,000 shares of the Company as at the end of 2015, the Company made a payment of cash dividends of RMB0.55 (tax inclusive) per 10 shares to all Shareholders and the total cash dividends amounted to RMB1,051,050,000. The announcement of A share Profit Distribution Plan was published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Shanghai Stock Exchange on 28 April 2016. The announcement in relation to the distribution of 2015 H Shares final dividends was published on the website of Hong Kong Stock Exchange on 20 April 2016. As of the end of the Reporting Period, the 2015 annual Profit Distribution Plan of the Company has been completed.

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

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

III. OTHER DISCLOSURE

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

☐ Applicable ☒ Not Applicable

(II) Explanation from the Board and Supervisory Committee on the “Non-standard Audit Report” issued by the accounting firm

☐ Applicable ☒ Not Applicable

(III) Contingent liabilities

For the contingent liabilities of the Company, please refer to Note 13 of Section IX headed “Financial Report” in the report.

Significant Events

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS GENERALLY QUESTIONED BY THE MEDIA

During the Reporting Period, the Company was not subject to material litigation or arbitration which had a material adverse effect on production and operations.

II. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

☐ Applicable ☒ Not Applicable

III. TRANSACTION OF ASSETS AND AMALGAMATION

1. Asset acquisitions

During the Reporting Period, the Company was not involved in any material asset acquisition.

2. Asset disposals

During the Reporting Period, the Company was not involved in any material asset disposal.

3. Asset swap

During the Reporting Period, the Company was not involved in any material asset swap.

4. Amalgamation

During the Reporting Period, the Company was not involved in any material amalgamation.

IV. INFORMATION ON SHARE INCENTIVES AND IMPACT THEREOF

☐ Applicable ☒ Not Applicable

Significant Events

V. MATERIAL CONNECTED TRANSACTIONS

Events not disclosed in provisional announcements

Unit: RMB'000

Party to the connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of the connected transaction	Percentage to similar transactions	Payment method for connected transaction	Market price	Reason for the significant difference between transaction price and reference market price
MCC Group and its subsidiaries (Except MCC)	Controlling shareholder	Other outflow	House rental	Leases	-	26,188	10.6076	-	-	-
China Minmetals and its subsidiaries (Except MCC) ⁽¹⁾	Indirect controlling shareholder	Purchase goods	Purchase of raw materials, products and services	Contractual price	-	56,845	0.0778	-	-	-
China Minmetals and its subsidiaries (Except MCC) ⁽¹⁾	Indirect controlling shareholder	Provision of services	Provision of raw materials, products and services	Contractual price	-	189,270	0.2125	-	-	-
Total				/	/	272,303	/	/	/	/

Note (1): On 8 December 2015, the Company received a notice from MCC Group that the SASAC of the State Council approved the strategic restructuring between MCC Group and China Minmetals, whereby the entire MCC Group will be consolidated into China Minmetals. Currently, the equity transfers in relation to the strategic restructuring have not been completed. According to the relevant regulations of the "Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange", China Minmetals and its subsidiaries (Except MCC) constitute the Company's related parties under the listing rules of A Shares.

Significant Events

VI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1. Trusteeship, contracting and leasing

There was no significant trusteeship, contracting and leasing of the Company during the Reporting Period.

2. Guarantees

Unit: RMB'000

Guarantor	Relationship between guarantor and the listed company	Guaranteed party	External guarantees provided by the Company (excluding guarantees provided to subsidiaries)										
			Guaranteed amount	Date of guarantee (agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Amount overdue under the guarantee	Whether any counter guarantee was available	Whether guarantee for a related party	Related party relationship
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	178,000 ⁽¹⁾	2009-6-18	2009-6-18	2017-12-10	Under joint and several liabilities	No	No	0	No	No	–
MCC Capital Engineering & Research Incorporation Limited	Controlled subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	124,600 ⁽²⁾	2010-2-2	2010-2-2	2017-12-2	Under joint and several liabilities	No	No	0	No	No	–

Total amount of guarantees incurred during the Reporting Period (excluding guarantees to subsidiaries)	0
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	302,600

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees incurred by the Company to its subsidiaries during the Reporting Period	876,863
Total balance of guarantees provided by the Company to its subsidiaries as at the end of the Reporting Period (B)	11,600,016

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

Total amount of guarantees (A+B)	11,902,616
Total amount of guarantees as a percentage of the Company's net assets (%)	19.33

Including:

Amount of guarantees provided to shareholders, the de facto controller and their related parties (C)	0
Debt guarantees directly or indirectly provided to parties with gearing ratio of over 70% (D)	10,249,997
The excess of total amount of guarantees over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	10,249,997
Explanation of the potential joint liquidity liability arising from the outstanding guarantees	Nil
Explanation of the guarantees	Nil

Note (1): The total amount of previous guarantees was RMB247.80 million. According to the loan and guarantee agreement, loans are consecutively falling due during the guaranteed period. The guarantees amount was RMB178.00 million as at the end of the Reporting Period.

(2): The total amount of previous guarantees was RMB354.00 million. According to the loan and guarantee agreement, loans are consecutively falling due during the guaranteed period. The guarantees amount was RMB124.60 million as at the end of the Reporting Period.

Significant Events

3. Other material contracts or transactions

During the Reporting Period, the newly signed contracts of the Company with an amount of more than RMB2 billion are set out below:

(1) Material contracts in the PRC

Unit: RMB'00 million

No.	Name of the project/contract	Contractual amount	Party(ies) to the contract	Performance Term
1	Renovation and Construction Project in Shantytown Area of Laoyachen, Zhangzhai and Shuangqiao Village of Huiji District in Zhengzhou City (Phase I) (PPP Project) (鄭州市惠濟區老鴉陳、張砦、雙橋村棚戶區改造建設項目(一期工程)(PPP項目))	67.0	MCC Communications Construction Group Company Limited	36 months
2	25-Pipeline Project for Construction of Underground Comprehensive Pipeline Corridors Phase I in Langzhou New District (PPP Project) (蘭州新區地下綜合管廊一期工程25條管廊項目(PPP項目))	46.5	CISDI Group Corp. Ltd.	24 months
3	Ziyun-Wangmo Section of Chishui-Wangmo Highway in Guizhou Province (PPP Project) (貴州省赤水至望謨高速公路紫雲至望謨段(PPP項目))	41.7	MCC Communications Construction Group Company Limited	36 months
4	Construction of Health Industrial Park (Phase I and II) in Fujian (PPP Project) (福建健康產業園(一期、二期)建設工程PPP項目)	40.0	China MCC 20 Group Co., Ltd.	10 years
5	The Construction Project of New Urbanization and Infrastructure in Huangshi Economic and Technological Development Zone (PPP Project) (黃石經濟技術開發區新型城鎮化及基礎設施PPP建設項目(PPP項目))	37.7	Huatian Engineering & Technology Corporation, MCC	12 years
6	Youhexigu International Resort Base Project for Health Maintenance in Nanshan, Hangzhou (杭州南山·悠鶴溪谷國際養生度假基地工程)	29.8	China MCC 20 Group Co., Ltd.	6 years
7	Construction Project of Xiamen Garden International Hotel (廈門花園國際大酒店工程)	29.0	China MCC 20 Group Co., Ltd.	37 months
8	Sandu-Libo Highway in Guizhou Province (PPP Project) (貴州省三都至荔波高速公路(PPP項目))	28.0	MCC Communications Construction Group Company Limited	36 months
9	Project for Sansui to Shibing Section of Tianzhu to Huangping Expressway in Guizhou (PPP Project) (貴州省天柱至黃平高速公路三穗至施秉段項目(PPP項目))	26.0	MCC TianGong Group Corporation Limited	36 months

Significant Events

No.	Name of the project/contract	Contractual amount	Party(ies) to the contract	Performance Term
10	General Contracting Project of TOP Territory Construction (保定市TOP領地工程施工總承包工程)	25.0	China MCC 20 Group Co., Ltd.	Depending on progress
11	General Service Agreement of "Unification of Construction and Maintenance" for Rural Highway of "Thirteenth Five-year Plan" in Qiandongnan County (PPP Project) (黔东南州“十三五”農村公路“建養一體化”總體服務協議(PPP項目))	22.2	Shanghai Baoye Group Corp., Ltd.	33 months
12	Upgrade and Renovation Project for Urban Infrastructure of Xianning High-tech Industrial Development Zone (Phase III) and Project for Integration of Investment and Construction for Five Projects Including Changling Village of Xianning High-tech Industrial Development Zone (咸寧高新區(三期)城市基礎設施升級配套改造工程、咸寧高新區長嶺村等五個項目投資建設一體化項目)	22.0	China MCC 1 Group Co., Ltd.	36 months
13	EPC General Contracting Project of Huayang Liwo Maker City (華洋力沃創客城EPC總承包工程)	22.0	China MCC 20 Group Co., Ltd.	Depending on progress
14	Project of Housing and Ancillary Facilities in Lots A1, A2 and A4 of Living Mall in Yangzhou (揚州京華城中城A1、A2、A4地塊房屋及配套設施項目)	20.0	Shanghai Baoye Group Corp., Ltd.	43 months
15	Ounan Industrial City Project in Nansheng, Pingyang (平陽楠盛•甌南產業城工程)	20.0	China MCC 20 Group Co., Ltd.	12 months

(2) Material contracts of overseas:

Unit: RMB'00 million

No.	Name of Project	Contractual Amount	Signing Party	Performance Term
1	Assisted Living and Memory Care Facilities Project in California and Florida (加利福尼亞和佛羅里達輔助居住及記憶保健設施項目)	35.8	MCC Overseas Ltd.	48 months

Significant Events

VII. PERFORMANCE STATUS OF THE UNDERTAKINGS

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	Undertakings in relation to the initial public offering	MCC Group and the Company	As considered and approved at the 2013 annual general meeting of the Company, the undertakings of Company and the Controlling Shareholder in relation to the application for the title certificates for defective properties were changed as follows: 1. With respect to a building with a gross floor area of 156.01 sq.m. and two land parcels with a total site area of 15,959.20 sq.m. in respect of which relevant certificates are expected to be applied successfully in future, the application period for such certificates shall be extended to 36 months upon approval of such matter by the general meeting of the Company; 2. The Company shall cease to apply any title certificates for 181 buildings and 11 land parcels, in respect of which relevant certificates cannot be successfully applied or the application for such certificates cannot be completed within a given period.	27 June 2014 to 26 June 2017	Yes	Yes. As at the end of the Reporting Period, the formalities in relation to the premises permit for 1 property were duly completed; the other two transfer agreements for 2 pieces of land were duly entered into and under the progress of formality in relation to the land use certificate.	-	-
Undertakings in relation to the initial public offering	Solution of horizontal competition	MCC Group	MCC Group, the controlling shareholder of MCC, undertook to avoid being engaged in or taking part in any business which may compete horizontally with the principal business of MCC.	5 December 2008	Yes	Yes	-	-
Undertakings in relation to the non-public offering	Others	MCC Group: Directors, Supervisors and senior management of MCC	Special Self-Inspection Report On the Real Estate Business for the Purpose of the 2015 Non-public Issuance of A Shares of the China Metallurgical Group Corporation disclosed MCC's development of domestic commodity houses during the Reporting Period, in a true, accurate and complete manner. If MCC is in breach of laws and regulations such as idle land, land speculation, hoarding of properties and driving up of property prices by price-rigging within the scope of the self-inspection, leading to losses of MCC and investors, then the undertaker shall bear the relevant liability for compensation.	29 September 2015	No	Yes	-	-

VIII. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Upon approval at the 2015 annual general meeting of the Company, the Company reappointed Deloitte Touche Tohmatsu CPA LLP as the auditor of the financial report for the year of 2016, the auditing firm reviewing the 2016 interim financial report and the internal control auditor of the Company for the year of 2016 to hold office until the 2016 annual general meeting. The Board of the Company has been authorised to determine their remunerations.

Significant Events

IX. THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS HOLDING MORE THAN 5% OF SHARES, DE FACTO CONTROLLER AND ACQUIRER

☐ Applicable ☒ Not Applicable

X. CONVERTIBLE CORPORATE BONDS

☐ Applicable ☒ Not Applicable

XI. COMPANY GOVERNANCE AND CORPORATE GOVERNANCE

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

The Board has reviewed the Company's corporate governance documents and was in the view that the Company had complied with the requirements of the provision of the Corporate Governance Code during the Reporting Period, save section E1.2 of the Corporate Governance Code. According to the requirements of section E1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting, but Guo Wenqing, the Chairman of the Company, failed to attend the 2015 annual general meeting due to business engagement. According to relevant provisions, Zhang Zhaoxiang (an executive Director and president of the Company), as elected by a majority of Directors of the Company, presided over the meeting.

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

On 20 April 2016, the Company convened the 2016 first extraordinary general meeting, the 2016 first A class general meeting and the 2016 first H class general meeting. Directors (Zhang Zhaoxiang, Chan Ka Keung Peter and Lin Jinzhen), Supervisors (Li Shiyu, Peng Haiqing and Shao Bo), and Xiao Xuewen, vice president and secretary to the Board of the Company attended the meetings, and other senior management of the Company was present at the meetings. Nine proposals were considered and approved at the meetings, including the Resolution on the Compliance of the Condition for A Shares Non-public Issuance of Metallurgical Corporation of China Ltd.

On 28 June 2016, the Company convened the 2015 annual general meeting. Directors (Zhang Zhaoxiang, Ren Xudong and Chan Ka Keung Peter), Supervisors (Li Shiyu and Peng Haiqing), and Xiao Xuewen, vice president and secretary to the Board of the Company attended the meetings, and other senior management of the Company was present at the meetings. At the meeting, the work report of the Board for the year 2015, the work report of the Supervisory Committee for the year 2015, remuneration of directors and supervisors for the year of 2015 and resolutions including the guarantee plans for the year of 2016 were considered and approved, auditors for financial report and internal control for 2016 were appointed, and the 2015 Performance Report by Independent Directors was received.

During the Reporting Period, the Company convened 6 Board meetings, 5 meetings of special committees, and 1 meeting of Supervisory Committee in total.

Significant Events

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

In addition, the Company further strengthened the communication and interaction with investors, analysts, financial media and actively presented the new image of its development to the capital market through Shareholder's Meetings, performance communication meetings and reverse roadshows, making the investors have a deeper understanding of the new strategic position of "being the national team for metallurgical construction, the major force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies" as well as the latest achievement of the Company in connection with upgrading transformation and market expansion.

3. The Company has adopted the Model Code as the code governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all the Directors and Supervisors, the Company confirmed that all Directors and Supervisors fully complied with the model code and requirements set out thereof during the six months ended 30 June 2016.

XII. REVIEW OF INTERIM RESULTS BY FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2016. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2016 had been in compliance with the applicable accounting principles as well as laws and regulations, and had made proper disclosures.

XIII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

- (I) **Explanation on analysis of the reasons of and impacts on the changes of accounting policy, accounting estimation or auditing method by the Board**

☐ Applicable ☒ Not Applicable

- (II) **Explanation on analysis of the reasons of and impacts on the corrections to the important errors of the previous period by the Board**

☐ Applicable ☒ Not Applicable

Significant Events

(III) Others

1. Status of the substantial resources projects

In the first half of 2016, resources development business of the Company improved as compared with the same period of last year, which benefited from the increase in price of poly-silicon and metal products including nickel and zinc. Affected by domestic trend of installing solar power station, the market price of poly-silicon rose again, and the sales of poly-silicon and silicon of China Silicon in the first half of the year achieved accumulated operating revenue of RMB1.04 billion, and the profit in aggregate of RMB68.60 million. The loss was turned into profit, resulting in an effective increase in profit of RMB245 million as compared with the same period of last year. Due to the impact of the raw material in short supply, the price of LME nickel rebounded from USD7,550 per ton in February 2016, a low point, to more than USD10,000 per ton, and the price of LME zinc rebounded from USD1,500 per ton at the beginning of the year to more than USD2,200 per ton. The fundamental factors of nickel and zinc were gradually improved, and their prices were expected to keep the upward trend in the future.

Under the favorable market condition of certain increase in the price of poly-silicon and metal products including nickel and zinc, the Company will continue to increase the investment into technical reformation and further increase the output of products in the second half of year. The Company will improve the enterprise cash inflow and indicators of production and operation, and further decrease the losses, through all practical and effective measures including further improving the refined management level and product quality and reducing the cost and consumption.

(1) Ramu Nico Mine Project, Papua New Guinea

Ramu Project's ratio of actual production capacity to designed capacity has become stable and above 90%. The project has basically been fulfilled in terms of production. Compared with international projects of the same kind, unit investment of Ramu Nico Laterite Mine is low and the fulfillment of the production can be achieved in a short period with highest productivity. The low unit cost lays a solid foundation for survival through adversity and subsequent development of this project. On 12 April 2016, a high-pressure steam pipeline was broken in the Ramu Project, leading to death in course of duty. Papua New Guinea Mining Department conducted investigation for the accident and the operation of Ramu Project was suspended. On 28 June, upon the completion of investigation procedure, the first and second series of smelting plant of Ramu Project received the permit to resume the production, and recovered its filling and production. Affected by the operation suspension, Ramu Project had a rather low production volume in the first half of 2016, producing 7,989 tonnes of Ni-Co hydroxide, and selling 11,753 tonnes of Ni-Co hydroxide as the share. MCC Ramu achieved operating revenue of RMB473 million, with a total profit of approximately RMB-642 million.

(2) Saindak Copper-Gold Mine Project, Pakistan

In the first half of 2016, there was a drop in the price of crude copper, but there was a relatively high range of increase in both production capacity and sales volume of crude copper of the Company, while the cost of sales experienced a sharp decrease. During the Reporting Period, the production of crude copper of the Saindak Copper-Gold Mine project in aggregate amounted to 6,749 tonnes, and the sales of crude copper amounted to 5,086 tonnes, accounting for an increase of 27.5% and 29.2% when compared with the same period last year, respectively; the accumulated realized sales income amounted to RMB283 million, accounting for an increase of 34.56% when compared with the same period last year; the accumulated realized profits attributable to MCC amounted to RMB43 million, representing a substantial increase from RMB5 million of the same period last year.

Significant Events

(3) Duddar Lead-Zinc Mine Project, Pakistan

Duddar Lead-Zinc Mine Project has commenced to conduct the work in the second stage to resume production and construction since January 2016. The project has strictly controlled its investment in the first half of the year. During the Reporting Period, it has completed investments of USD11.62 million in aggregate, of which construction projects such as excavating, mining, renovation of flotation process, reservoir dam, etc. were carried out. When the construction was in progress, the upper mining system of the mine was put into production and was expected to achieve sales revenue in the third quarter when the price of lead-zinc increased. In the second half of year, the production of upper mining system of Duddar Lead-Zinc Mine Project will be processed smoothly while construction of the lower part of mining system will be carried forward soon towards the aim of reaching designated capacity.

(4) Aynak Copper Mine Project, Afghanistan

The Company is striving for active communication with Afghanistan government, aiming to amend the mining contract through negotiation, in order to improve the investment effect of the project and push forward the project to get actual progress soon.

2. Status of the substantial properties projects

(1) Nanjing Xiaguan Project

Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. (南京臨江老城改造建設投資有限公司) (the "Project Company"), which is owned by MCC Real Estate Group Co., Ltd., ("MCC Real Estate") a wholly-owned subsidiary of the Company, won the bid of the land use rights of Land No. 1 and Land No. 3 at the west of Jiangbian Road, Binjiang, Xiaguan District of Nanjing city on 19 September 2010. The consideration of the land transfers were RMB12,141 million and RMB7,893 million respectively with the total amount of RMB20,034 million (please refer to the announcement of the Company published on 21 September 2010 for details).

The Land Nos. 1 and 3 in Xiaguan district, Nanjing was the Company's major real estate development project. In order to reasonably control the investment progress and obtain the expected investment returns, the Company confirmed the overall development plan of the Land nos. 1 and 3 after thorough consideration and detailed planning. Land No. 1 is intended to be introduced to strategic collaborators for strategic collaboration, or transferring the equity shares of Project Company for funds. The total area of Land No. 3 was 322,900 sq.m., and the nature of the land use includes the uses of mixed residential, commercial and financial, cultural and recreational, nursery and kindergarten, and mixed business office with a floor area of approximately 890,400 sq.m. and an unlimited underground area, each land has a plot-ratio of 1.0 to 13.7, controlled building height of 24m to 300m. Land No.3 project was divided into two-phase construction, namely General Phase I and General Phase II, of which General Phase I (Project Fangjiaying(方家營項目), Project Binjiang(濱江項目) and Project Hutchison Matheson(和記洋行項目)) already commenced development where Project Fangjiaying and Project Binjiang have been in the "sale and construction stage" and Project Hutchison Matheson is still in the preliminary planning stage. General Phase II was yet to commence development as it was currently under the positioning stage of initial planning.

Significant Events

(2) Beijing Daxing Jiugong Project

On 17 July 2012, the consortium jointly established through agreement by MCC Real Estate Group Co., Ltd. won the bid for the land use right of plot A1 under Phase II of the Green Belt Construction and Old Village Reconstruction Project at Jiugong Town, Daxing District, Beijing city (北京市大興區舊宮鎮綠隔地區建設舊村改造二期A1地塊) at a public auction for a consideration of RMB2,200 million in cash, together with an obligation to construct public rental housing of 4,700 sq.m. (please refer to the announcement of the Company published on 19 July 2012 for details). The total planned gross floor area of the project is 190,000 sq.m. with a floor area of 138,000 sq.m. and above ground available-to-sale area of 134,000 sq.m. From 18 October 2014 when it started selling to 30 June 2016, the project offered a total of 477 units of 8 residential buildings and 203 units of AB office buildings, in which contracts of 424 units of residential buildings (amounted to 65,300 sq.m.) and 61 units of office buildings (amounted to 4,974 sq.m.) were signed online. MCC Real Estate is currently urging for repayment and sales of the remaining units.

(3) Tianjin New Badali Project

On 28 May 2014, MCC Real Estate won a bid for the land use right of a land plot located in Qili of New Badali, Heiniucheng Road in Tianjin at a consideration of RMB4.949 billion (for details, please refer to the announcement of the Company dated 29 May 2014). Currently, the project has been steadily facilitating formality procedures, design planning, construction work and sales. The project started selling on 4 July 2015. As of the end of June 2016, the accumulated contract sales area was 73,500 sq.m. and recorded good returns in sales.

Changes in Shares and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

1. Table of changes in Shares

As of 30 June 2016, the Company had a registered capital of RMB19,110,000,000, divided into 19,110,000,000 shares with a par value of RMB1.00 each. These shares include 16,239,000,000 A Shares and 2,871,000,000 H Shares. During the Reporting Period, there were no changes in the total number of shares and share capital structure of the Company.

2. Explanation on the changes in shares

Not applicable

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

Not applicable

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

Not applicable

(II) Changes in Restricted Shares

☐ Applicable ☒ Not Applicable

(III) Pre-emptive Rights and Share Option Arrangements

There is no mandatory provisions for pre-emptive rights in the Articles of Associations of the Company. Subject to the Hong Kong Listing Rules, pursuant to the requirements under Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing new shares to existing Shareholders, converting capital reserve to share capital or by other methods as permitted by laws and administrative regulations or approved by relevant authorities.

During the Reporting Period, the Company did not have any share option arrangements.

(IV) Purchase, Sale or Redemption of the Company's Listed Securities

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

Changes in Shares and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of Shareholders

Total number of Shareholders of the Company as at the end of the Reporting Period (households) 574,080

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

Unit: Share

Name of Shareholder (full name)	Change during the Reporting Period	Shareholding of the top 10 Shareholders ⁽¹⁾			Shares pledged or frozen Status of Shares	Amount	Nature of Shareholder
		Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions			
China Metallurgical Group Corporation	0	12,265,108,500	64.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited ⁽²⁾	-186,000	2,841,589,000	14.97	0	Nil	0	Others
China Securities Finance Corporation Limited	30,322,206	307,403,564	1.60	0	Nil	0	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.47	0	Nil	0	State-owned legal person
China Life Insurance Company Limited-Traditional-Ordinary Insurance Products-005L-CT001 Shanghai (中國人壽保險股份有限公司-傳統-普通保險產品-005L-CT001滬)	17,131,029	17,131,029	0.09	0	Nil	0	Others
China Construction Bank-SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行-上證180交易型開放式指數證券投資基金)	-318,800	13,513,925	0.07	0	Nil	0	Others
Industrial and Commercial Bank of China Limited-Huatai Bairui CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司-華泰柏瑞滬深300交易型開放式指數證券投資基金)	1,366,247	11,940,382	0.06	0	Nil	0	Others
Huang Canliang (黃傑良)	-1,496,800	11,033,360	0.06	0	Nil	0	Others
Chen Ting (陳霆)	10,891,500	10,891,500	0.06	0	Nil	0	Others
Zhang Yuzhu (張玉柱)	8,546,400	10,435,200	0.05	0	Nil	0	Others

Changes in Shares and Particulars of Shareholders

Shareholding of top 10 Shareholders not subject to selling restrictions⁽¹⁾

Name of Shareholders	Number of tradable shares not subject to selling restrictions held		Types and number of Shares
China Metallurgical Group Corporation	12,265,108,500	RMB-denominated ordinary shares	12,265,108,500
HKSCC Nominees Limited ⁽²⁾	2,841,589,000	Overseas-listed foreign shares	2,841,589,000
China Securities Finance Corporation Limited	307,403,564	RMB-denominated ordinary shares	307,403,564
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
China Life Insurance Company Limited–Traditional–Ordinary Insurance Products –005L-CT001 Shanghai (中國人壽保險股份有限公司–傳統–普通保 險產品–005L-CT001滬)	17,131,029	RMB-denominated ordinary shares	17,131,029
China Construction Bank–SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行–上證180交易型開放式指數證券投資基金)	13,513,925	RMB-denominated ordinary shares	13,513,925
Industrial and Commercial Bank of China Limited–Huatai Bairui CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司–華 泰柏瑞滬深300交易型開放式指數證券投資基金)	11,940,382	RMB-denominated ordinary shares	11,940,382
Huang Canliang (黃燦良)	11,033,360	RMB-denominated ordinary shares	11,033,360
Chen Ting (陳霆)	10,891,500	RMB-denominated ordinary shares	10,891,500
Zhang Yuzhu (張玉柱)	10,435,200	RMB-denominated ordinary shares	10,435,200
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 number of 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 30 June 2016.
- (2) The H Shares held by HKSCC Nominees Limited are those held on behalf of its beneficial owners.

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

During the Reporting Period, none of the Shares of the Company were subject to selling restrictions.

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

☐ Applicable ☒ Not Applicable

Changes in Shares and Particulars of Shareholders

III. CHANGES IN CONTROLLING SHAREHOLDERS OR DE FACTO CONTROLLER

1. Particulars of Controlling Shareholder

The Controlling Shareholder of the Company is China Metallurgical Group Corporation and the legal representative is Guo Wenqing. It was incorporated on 18 December 1982, and is principally engaged in 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; development and operation of real estate; bidding agent; undertaking various types of international industrial and civil 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; resource development, processing and utilization of metallic mineral products and relevant services.

2. Particulars of de facto controlling person

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

3. Changes in Controlling Shareholder and de facto controlling person

During the Reporting Period, the Controlling Shareholder and the de facto controlling person of the Company remained unchanged.

On 8 December 2015, the Company received a notice from MCC Group that, pursuant to an overall arrangement made by the Central Committee of the Communist Party of China and the State Council on the comprehensively deepening reform and the general requirements of the reform of state-owned enterprises, the SASAC of the State Council approved the strategic restructuring between MCC Group and China Minmetals, whereby the entire MCC Group will be consolidated into China Minmetals. It remains unchanged that MCC Group is the Controlling Shareholder of MCC and the SASAC of the State Council is the ultimate controller of MCC. CSRC and the SFC have exempted the obligation to make a mandatory general offer for shares of the Company due to the strategic restructuring of China Minmetals. Anti-Monopoly Bureau of the Ministry of Commerce of the PRC has cleared the anti-trust review in respect of the strategic restructuring. As of now, the equity transfers in relation to the strategic restructuring have not been completed.

IV. 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.

Directors, Supervisors and Senior Management

I. PARTICULARS OF CHANGES IN SHAREHOLDING

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

Unit: Share

Name	Position	Number of Shares held at the beginning of the period	Number of shares held at the end of the period	Changes in shares during the Reporting Period	Reason for the changes
Guo Wenqing	Chairman and Executive Director	130,000	130,000	0	–
Zhang Zhaoxiang	Executive Director and President	80,000	80,000	0	–
Jing Tianliang	Non-executive Director	117,500	117,500	0	–
Yu Hailong	Independent Non-executive Director	0	0	0	–
Ren Xudong	Independent Non-executive Director	0	0	0	–
Chan Ka Keung Peter	Independent Non-executive Director	0	0	0	–
Lin Jinzhen	Employee Representative Director	60,000	60,000	0	–
Li Shiyu	Chairman of the Supervisory Committee ⁽²⁾	60,000	60,000	0	–
Peng Haiqing	Supervisor	41,500	41,500	0	–
Shao Bo	Employee Representative Supervisor	34,800 ⁽¹⁾	34,800 ⁽¹⁾	0	–
Wang Yongguang	Vice President	50,000	50,000	0	–
Zhang Mengxing	Vice President	60,000	60,000	0	–
Xiao Xuewen	Vice President and Secretary to the Board	161,000 ⁽¹⁾	161,000 ⁽¹⁾	0	–
Zou Hongying	Vice President and Chief Accountant	40,000	40,000	0	–

Note (1): Mr. Shao Bo directly held 33,800 A Shares of the Company, and his spouse held 1,000 A Shares of the Company; the spouse of Mr. Xiao Xuewen held 161,000 A Shares of the Company.

(2): On 30 June 2016, Mr. Li Shiyu resigned as a Supervisor and the chairman of the Supervisory Committee of the Company as he has reached the age of statutory retirement. For the period from his resignation to the appointment of a Supervisor at the 2016 second extraordinary general meeting convened on 23 August 2016, Mr. Li Shiyu will continue to perform the duty as a Supervisor.

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

☐ Applicable ☒ Not Applicable

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

Name	Position	Change	Reason for the change
Li Shiyu	Chairman of the Supervisory Committee	Resigned	Retirement
Yan Aizhong	Supervisor	Appointed	Appointed through election at the general meeting

Note: On 30 June 2016, Mr. Li Shiyu had reached his statutory retirement age and resigned from the positions of a supervisor and the chairman of the Supervisory Committee of the Company. On 23 August 2016, the Second Extraordinary General Meeting of 2016 elected Mr. Yan Aizhong as a Supervisor of the Company.

Directors, Supervisors and Senior Management

III. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2016, the Company employed a total of 100,079 members of staff.

Level of Education of Current Employees:

Level of Education	Number of Current Employees	Percentage
Above Postgraduate	8,727	8.72%
Undergraduate	39,476	39.44%
College degree	19,420	19.40%
Below college degree	32,456	32.44%
Total	100,079	100%

Structure of Ages of Current Employees:

Level of Education	Number of Current Employees	Percentage
Aged 56 or above	3,801	3.80%
Aged 51–55	11,568	11.56%
Aged 46–50	15,560	15.55%
Aged 41–45	15,082	15.07%
Aged 36–40	11,882	11.87%
Aged 35 or below	42,186	42.15%
Total	100,079	100%

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

Directors, Supervisors and Senior Management

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

(I) Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2016, 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: Share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Directors							
Guo Wenqing	Chairman and Executive Director	A Shares	Long Position	Beneficial Owner	130,000	0	0
Zhang Zhaoxiang	President and Executive Director	A Shares	Long Position	Beneficial Owner	80,000	0	0
Jing Tianliang	Non-executive Director	A Shares	Long Position	Beneficial Owner	117,500	0	0
Lin Jinzhen	Employee Representative Director (Non-executive Director)	A Shares	Long Position	Beneficial Owner	60,000	0	0
Supervisors							
Li Shiyu	Chairman of the Supervisory Committee	A Shares	Long Position	Beneficial Owner	60,000	0	0
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

Note: On 30 June 2016, Mr. Li Shiyu resigned from his positions as a supervisor and the chairman of the supervisory committee of the Company due to his reaching of the statutory retirement age. Mr. Li continued to perform his duties as a supervisor from his resignation date to the assumption of office by a supervisor elected in the 2016 second extraordinary meeting of the Company convened on 23 August 2016.

Save as disclosed above and as at 30 June 2016, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors, Supervisors and Senior Management

(II) Other Senior Management's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2016, as far as the Company is aware, interests of other senior management of the Company in the shares of the Company are as follows:

Unit: Share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Wang Yongguang	Vice President	A Shares	Long Position	Beneficial Owner	50,000	0	0
Zhang Mengxing	Vice President	A Shares	Long Position	Beneficial Owner	60,000	0	0
Xiao Xuewen	Vice President, Secretary to the Board	A Shares	Long Position	Interests of Spouse	161,000	0	0
Zou Hongying	Vice President, Chief Accountant	A Shares	Long Position	Beneficial Owner	40,000	0	0

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

As at 30 June 2016, 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 Securities and Futures Ordinance:

Holders of A Shares

Unit: Share

Name of substantial shareholder	Capacity	Number of A Shares held	Nature of interest	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued Shares (%)
China Metallurgical Group Corporation	Beneficial owner	12,265,108,500	Long Position	75.53	64.18

Holders of H Shares

Unit: Share

Name of substantial shareholder	Capacity	Number of H Shares held	Nature of interest	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued Shares (%)
BlackRock, Inc.	Interest of a controlled corporation	201,381,606	Long Position	7.01	1.05

Note 1: BlackRock, Inc. holds long position of H Shares in total of 201,381,606 through various entities it controls. Besides, long position of H Shares in total of 5,069,000 is related to derivative instruments classified as non-listed derivative instrument – settlement in cash.

Save as disclosed above, to the knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2016, no other person or corporation was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the Company's share capital that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

I REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

De Shi Bao (Yue) Zi (16) No. R0035

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

We have reviewed the accompanying interim financial statements of Metallurgical Corporation of China Ltd. (the “Company”), which comprised the Company’s and consolidated balance sheets as at 30 June 2016, and the Company’s and consolidated income statements, the Company’s and consolidated statements of changes in shareholders’ equity and the Company’s and consolidated cash flow statements for the six months then ended, and notes to the financial statements (hereinafter collectively referred to as the “Interim Financial Statements”). The preparation of the Interim Financial Statements is the responsibility of the Company’s management. Our responsibility is to deliver a report on review of these Interim Financial Statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of Metallurgical Corporation of China Ltd. are not prepared, in all material respects, in accordance with China Accounting Standards, and cannot present fairly, in all material respects, the Company’s and consolidated financial positions as at 30 June 2016 and the Company’s and consolidated operating performance and cash flows for the six months then ended.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:

Ma Yan Mei
Chen Wen Long
26 August 2016

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

Financial Report

30 June 2016

II FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances	VII1	34,517,437	33,730,706
Financial assets at fair value through profit or loss	VII2	845	1,410,011
Bills receivable	VII3	12,286,836	11,360,670
Accounts receivable	VII4	65,829,640	63,663,109
Prepayments	VII5	13,945,995	13,698,473
Interests receivable	VII6	26,326	11,644
Dividends receivable	VII7	48,057	38,045
Other receivables	VII8	32,285,527	29,056,798
Inventories	VII9	124,260,933	115,305,237
Non-current assets due within one year	VII10	6,558,559	7,054,781
Other current assets	VII11	301,243	229,319
Total Current Assets		290,061,398	275,558,793
Non-current Assets:			
Available-for-sale financial assets	VII12	1,968,388	1,680,152
Held-to-maturity investments	VII13	20	20
Long-term receivables	VII14	7,873,169	7,882,521
Long-term equity investments	VII15	4,296,552	3,915,025
Investment properties	VII16	2,173,204	2,170,276
Fixed assets	VII17	30,318,647	30,154,218
Construction in progress	VII18	3,507,600	3,578,915
Materials for construction of fixed assets	VII19	70,138	73,695
Intangible assets	VII20	14,558,607	14,527,346
Goodwill	VII21	173,186	173,733
Long-term prepayments	VII22	240,197	204,705
Deferred tax assets	VII23	4,091,243	3,733,420
Other non-current assets	VII24	20,608	110,000
Total Non-current Assets		69,291,559	68,204,026
TOTAL ASSETS		359,352,957	343,762,819

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	VII25	49,046,355	36,798,152
Derivative financial liabilities	VII26	7,680	14,339
Bills payable	VII27	14,494,558	15,641,626
Accounts payable	VII28	97,877,462	93,413,988
Receipts in advance	VII29	32,415,985	30,139,959
Employee benefits payable	VII30	2,205,599	2,061,162
Taxes payable	VII31	1,968,151	6,057,841
Interests payable	VII32	952,918	752,120
Dividends payable	VII33	759,239	791,058
Other payables	VII34	20,093,553	16,294,450
Non-current liabilities due within one year	VII35	15,728,874	13,396,832
Other current liabilities	VII36	11,096,315	20,113,097
Total Current Liabilities		246,646,689	235,474,624
Non-current Liabilities:			
Long-term borrowings	VII37	23,687,767	19,259,931
Bonds payable	VII38	9,994,726	10,972,486
Including: Preference share		—	—
Perpetual bond		—	—
Long-term payables	VII39	892,167	892,237
Long-term employee benefits payable	VII40	3,873,880	3,982,614
Special payables	VII41	31,370	14,981
Provisions	VII42	238,687	232,644
Deferred income	VII43	1,380,464	1,452,973
Deferred tax liabilities	VII23	318,215	325,305
Total Non-current Liabilities		40,417,276	37,133,171
TOTAL LIABILITIES		287,063,965	272,607,795

Financial Report

30 June 2016

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Shareholders' Equity:			
Share capital	VII44	19,110,000	19,110,000
Other equity instruments	VII45	9,884,950	9,884,950
Including: Preference share		—	—
Perpetual bond		9,884,950	9,884,950
Capital reserve	VII46	17,874,492	17,876,690
Less: Treasury shares		—	—
Other comprehensive income	VII47	112,736	192,320
Special reserve	VII48	12,550	12,550
Surplus reserve	VII49	698,872	698,872
Retained profits	VII50	13,897,815	12,782,248
Total shareholders' equity attributable to shareholders of the Company		61,591,415	60,557,630
Non-controlling interests		10,697,577	10,597,394
TOTAL SHAREHOLDERS' EQUITY		72,288,992	71,155,024
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		359,352,957	343,762,819

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Assets:			
Cash and bank balances		1,520,325	2,727,674
Accounts receivable	XVI1	347,042	492,885
Prepayments		217,624	78,773
Interests receivable	XVI2	2,052,964	1,554,415
Dividends receivable	XVI3	1,218,251	2,166,640
Other receivables	XVI4	24,087,904	28,629,967
Inventories		973,383	694,789
Non-current assets due within one year		1,327,037	2,806,017
Total Current Assets		31,744,530	39,151,160
Non-current Assets:			
Available-for-sale financial assets		231	231
Long-term receivables	XVI5	2,720,508	2,592,461
Long-term equity investments	XVI6	76,820,418	75,189,175
Fixed assets		13,872	15,501
Construction in progress		5,385	—
Intangible assets		10,135	10,961
Total Non-current Assets		79,570,549	77,808,329
TOTAL ASSETS		111,315,079	116,959,489

Financial Report

30 June 2016

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Current Liabilities:			
Short-term borrowings	XVI7	20,114,983	11,120,689
Accounts payable		859,944	864,274
Receipts in advance		971,361	492,914
Employee benefits payable		8,264	8,108
Taxes payable		35,459	61,734
Interests payable		624,516	617,614
Dividends payable		134,319	170,010
Other payables	XVI8	4,904,994	8,062,853
Non-current liabilities due within one year	XVI9	3,183,096	5,178,915
Other current liabilities		11,000,000	20,000,000
Total Current Liabilities		41,836,936	46,577,111
Non-current Liabilities:			
Long-term borrowings	XVI10	2,600,000	2,771,441
Bonds payable		2,704,000	2,704,000
Including: Preference share		—	—
Perpetual bond		—	—
Long-term payables		378,980	300,000
Long-term employee benefits payable		23,007	22,861
Deferred income		4,297	4,265
Total Non-current Liabilities		5,710,284	5,802,567
TOTAL LIABILITIES		47,547,220	52,379,678

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S BALANCE SHEET

All amounts in RMB'000

Items	Notes	Closing balance	Opening balance
Shareholders' Equity:			
Share capital		19,110,000	19,110,000
Other equity instruments		9,884,950	9,884,950
Including: Preference share		—	—
Perpetual bond		9,884,950	9,884,950
Capital reserve		33,481,220	33,481,220
Less: Treasury shares		—	—
Other comprehensive income		(2,121)	(2,105)
Special reserve		12,550	12,550
Surplus reserve		698,872	698,872
Retained profits		582,388	1,394,324
TOTAL SHAREHOLDERS' EQUITY		63,767,859	64,579,811
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		111,315,079	116,959,489

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Total operating revenue		95,824,655	100,691,551
Including: Operating revenue	VII51	95,824,655	100,691,551
II Total operating costs		92,901,625	97,709,872
Including: Operating costs	VII51	83,366,785	87,593,659
Business taxes and levies	VII52	1,728,019	2,616,952
Selling expenses	VII53	734,570	606,020
Administrative expenses	VII54	4,361,156	4,067,552
Financial expenses	VII55	1,287,940	1,767,396
Impairment losses of assets	VII56	1,423,155	1,058,293
Add: Gains from changes in fair values	VII57	6,349	21,693
Investment income	VII58	312,688	123,863
Including: Gains from investments in associates and joint ventures		256,191	58,907
III Operating profit		3,242,067	3,127,235
Add: Non-operating income	VII59	387,938	422,230
Including: Gains from disposal of non-current assets		54,806	22,916
Less: Non-operating expenses	VII60	53,604	45,325
Including: Losses from disposal of non-current assets		10,680	13,247
IV Total profit		3,576,401	3,504,140
Less: Income tax expenses	VII61	749,237	1,043,323
V Net profit		2,827,164	2,460,817
Net profit attributable to shareholders of the Company		2,415,926	2,172,265
Profit or loss attributable to non-controlling interests		411,238	288,552

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
VI Other comprehensive income, net of income tax	VII62	(64,868)	63,897
Other comprehensive income attributable to shareholders of the Company, net of income tax		(79,584)	74,945
(I) Items that will not be reclassified subsequently to profit or loss		1,554	(125,351)
1. Re-measurement of defined benefit obligations		1,554	(125,351)
(II) Items that may be reclassified subsequently to profit or loss		(81,138)	200,296
1. Net (loss) gain on revaluation of available-for-sale financial assets		(78,646)	93,086
2. Exchange differences on translating foreign operations		(2,492)	107,210
Other comprehensive income attributable to non-controlling interests, net of income tax		14,716	(11,048)
VII Total comprehensive income		2,762,296	2,524,714
Total comprehensive income attributable to shareholders of the Company		2,336,342	2,247,210
Total comprehensive income attributable to non-controlling interests		425,954	277,504
VIII Earnings per share	XV3		
(I) Basic earnings per share (Yuan/share)		0.11	0.11
(II) Diluted earnings per share (Yuan/share)		N/A	N/A

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Operating revenue	XVI11	699,262	1,093,177
Less: Operating costs	XVI11	664,773	961,641
Business taxes and levies		(906)	–
Administrative expenses		62,770	61,463
Financial expenses		204,959	316,202
Impairment losses of assets	XVI12	59,672	(9,710)
Add: Investment income	XVI13	780,062	–
Including: Losses from investments in associates and joint ventures		(3,380)	–
II Operating profit or loss		488,056	(236,419)
Add: Non-operating income		380	42,040
Including: Gains from disposal of non-current assets		3	41,966
Less: Non-operating expenses		13	18
Including: Losses from disposal of non-current assets		13	18
III Total profit or loss		488,423	(194,397)
Less: Income tax expenses		–	–
IV Net profit or loss		488,423	(194,397)
V Other comprehensive income, net of income tax		(16)	(2,560)
(I) Items that will not be reclassified subsequently to profit or loss		(16)	(2,560)
1. Re-measurement of defined benefit obligations		(16)	(2,560)
VI Total comprehensive income		488,407	(196,957)

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Cash Flows from Operating Activities:			
Cash receipts from goods sold and services provided		96,937,030	101,900,408
Receipts of tax refunds		265,826	317,528
Other cash receipts relating to operating activities	VII63(1)	1,605,988	1,018,254
Sub-total of cash inflows from operating activities		98,808,844	103,236,190
Cash payments for goods purchased and services received		82,204,191	87,598,119
Cash payments to and on behalf of employees		7,766,526	7,589,863
Payments of various types of taxes		6,678,214	6,664,029
Other cash payments relating to operating activities	VII63(2)	5,009,282	5,437,768
Sub-total of cash outflows from operating activities		101,658,213	107,289,779
Net Cash Flows from Operating Activities	VII64(1)	(2,849,369)	(4,053,589)
II Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,472,609	18,313
Cash receipts from investment income		99,959	168,872
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		121,627	51,039
Other cash receipts relating to investing activities	VII63(3)	117,738	53,504
Sub-total of cash inflows from investing activities		1,811,933	291,728
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,354,545	1,370,674
Cash payments to acquire investments		988,388	520,722
Other cash payments relating to investing activities	VII63(4)	663,759	552,231
Sub-total of cash outflows from investing activities		3,006,692	2,443,627
Net Cash Flows from Investing Activities		(1,194,759)	(2,151,899)

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		25,043	4,955,368
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		25,043	30,368
Cash receipts from issuing perpetual bonds		–	4,925,000
Cash receipts from borrowings		48,771,932	38,757,288
Other cash receipts relating to financing activities	VII63(5)	1,204,680	1,102,534
Sub-total of cash inflows from financing activities		50,001,655	44,815,190
Cash repayments of borrowings		39,928,279	39,866,071
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,027,830	2,799,942
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		335,191	74,675
Other cash payments relating to financing activities	VII63(6)	81,355	47,665
Sub-total of cash outflows from financing activities		44,037,464	42,713,678
Net Cash Flows from Financing Activities		5,964,191	2,101,512
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		71,348	(16,379)
V Net Increase(decrease) in Cash and Cash Equivalents		1,991,411	(4,120,355)
Add: Opening balance of Cash and Cash equivalents		28,736,378	28,571,177
VI Closing Balance of Cash and Cash Equivalents	VII64(2)	30,727,789	24,450,822

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

Legal Representative:

Guo Wenqing

General Accountant:

Zou Hongying

Financial Controller:

Fan Wanzhu

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I Cash Flows from Operating Activities:			
Cash receipts from goods sold and services provided		1,022,764	1,024,480
Receipts of tax refunds		8,741	8,979
Other cash receipts relating to operating activities		36,562	66,538
Sub-total of cash inflows from operating activities		1,068,067	1,099,997
Cash payments for goods purchased and services received		808,258	955,949
Cash payments to and on behalf of employees		38,773	37,574
Payments of various types of taxes		96,937	18,877
Other cash payments relating to operating activities		69,197	22,447
Sub-total of cash outflows from operating activities		1,013,165	1,034,847
Net Cash Flows from Operating Activities	XVI14(1)	54,902	65,150
II Cash Flows from Investing Activities:			
Cash receipts from investment income		1,657,332	782,743
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		3	—
Other cash receipts relating to investing activities		5,996,421	—
Sub-total of cash inflows from investing activities		7,653,756	782,743
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		3,173	681
Cash payments to acquire investments		1,402,441	625,000
Other cash payments relating to investing activities		—	2,398,437
Sub-total of cash outflows from investing activities		1,405,614	3,024,118
Net Cash Flows from Investing Activities		6,248,142	(2,241,375)

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
III Cash Flows from Financing Activities:			
Cash receipts from capital contributions		–	4,925,000
Including: Cash receipts from issuing perpetual bond		–	4,925,000
Cash receipts from borrowings		21,767,844	17,443,387
Sub-total of cash inflows from financing activities		21,767,844	22,368,387
Cash repayments of borrowings		27,069,786	23,338,563
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,197,541	856,373
Other cash payments relating to financing activities		18,115	38,162
Sub-total of cash outflows from financing activities		29,285,442	24,233,098
Net Cash Flows from Financing Activities		(7,517,598)	(1,864,711)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		(3,436)	(18)
V Net Decrease in Cash and Cash Equivalents		(1,217,990)	(4,040,954)
Add: Opening balance of Cash and Cash equivalents		2,727,147	7,025,950
VI Closing Balance of Cash and Cash Equivalents	XVI14(2)	1,509,157	2,984,996

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

FOR THE SIX MONTHS ENDED 30 JUNE 2015												
Items	Attributable to shareholders of the Company											
	Other equity instruments				Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
	Share capital	Preference share	Perpetual bond	Others								
I Closing balance of the preceding period	19,110,000	-	-	-	17,826,218	-	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	19,110,000	-	-	-	17,826,218	-	583,421	12,550	529,549	9,275,519	10,687,251	58,024,508
III Changes for the period	-	-	4,925,000	-	2,434	-	74,945	-	-	1,216,765	248,838	6,467,982
(I) Total comprehensive income	-	-	-	-	-	-	74,945	-	-	2,172,265	277,504	2,524,714
(II) Shareholders' contributions and reduction in capital	-	-	4,925,000	-	2,434	-	-	-	-	-	27,934	4,955,368
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	30,368	30,368
2. Capital contribution from holders of other equity instruments	-	-	4,925,000	-	-	-	-	-	-	-	-	4,925,000
3. Others	-	-	-	-	2,434	-	-	-	-	-	(2,434)	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	(955,500)	(56,600)	(1,012,100)
1. Recognition of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(955,500)	(56,600)	(1,012,100)
3. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Recognition of special reserve in the current period	-	-	-	-	-	-	-	903,563	-	-	75,505	979,068
2. Amount utilized in the current period	-	-	-	-	-	-	-	(903,563)	-	-	(75,505)	(979,068)
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	-	4,925,000	-	17,828,652	-	658,366	12,550	529,549	10,492,284	10,936,089	64,492,490

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	FOR THE SIX MONTHS ENDED 30 JUNE 2016										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Preference share	Perpetual bond	Others							
I Closing balance of the preceding period	19,110,000	-	9,884,950	-	33,481,220	-	(2,105)	12,550	698,872	1,394,324	64,579,811
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	19,110,000	-	9,884,950	-	33,481,220	-	(2,105)	12,550	698,872	1,394,324	64,579,811
III Changes for the period	-	-	-	-	-	-	(16)	-	-	(811,936)	(811,952)
(I) Total comprehensive income	-	-	-	-	-	-	(16)	-	-	488,423	488,407
(II) Shareholders' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-	-	-	-	-
3. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	(1,300,359)	(1,300,359)
1. Recognition of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(1,300,359)	(1,300,359)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Recognition of special reserve in the current period	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	-	9,884,950	-	33,481,220	-	(2,121)	12,550	698,872	582,388	63,767,859

Financial Report

For the six months ended 30 June 2016

II FINANCIAL STATEMENTS (Continued)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

FOR THE SIX MONTHS ENDED 30 JUNE 2015											
Items	Share capital	Other equity instruments			Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
		Preference share	Perpetual bond	Others							
I Closing balance of the preceding period	19,110,000	-	-	-	33,481,220	-	3,267	12,550	529,549	995,929	54,132,515
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II Opening balance of the current period	19,110,000	-	-	-	33,481,220	-	3,267	12,550	529,549	995,929	54,132,515
III Changes for the period	-	-	4,925,000	-	-	-	(2,556)	-	-	(1,149,901)	3,772,543
(I) Total comprehensive income	-	-	-	-	-	-	(2,560)	-	-	(194,397)	(196,957)
(II) Shareholders' contributions and reduction in capital	-	-	4,925,000	-	-	-	4	-	-	(4)	4,925,000
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	4,925,000	-	-	-	-	-	-	-	4,925,000
3. Others	-	-	-	-	-	-	4	-	-	(4)	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	(955,500)	(955,500)
1. Recognition of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	-	-	-	(955,500)	(955,500)
3. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Recognition of special reserve in the current period	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV Closing balance of the current period	19,110,000	-	4,925,000	-	33,481,220	-	711	12,550	529,549	(153,972)	57,905,058

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

III BASIC CORPORATE INFORMATION

1. Basic information of the Company

Metallurgical Corporation of China Ltd. (the “Company”) was established as a joint stock limited liability company by China Metallurgical Group Corporation (“CMGC”) and Baosteel Group Corporation (“BGC”) 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 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 BGC 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.

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

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

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

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 26 August 2016.

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 China Securities Regulatory Commission (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 New Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

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

2. Accrual basis and measurement principle

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

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

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

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

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

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

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

3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 30 June 2016 and does not identify any significant doubtful matter or event on the going concern. As such, these financial statements have been prepared on a going concern basis.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 30 June 2016 and consolidated and the Company's operating results and cash flows for the six months then ended.

2. Accounting period

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

3. Business cycle

Business cycle refers to the period that starts from the purchase of assets for production and ends with the realization of cash or cash equivalent. The business cycle of infrastructure and property development business of the Group is normally over one year because the duration of construction and infrastructure warranty is relatively long. The business cycles of other businesses are 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. Their financial statements were presented in RMB when being consolidated into consolidated financial statements. The Company adopts RMB to present its financial statements.

5. Business combinations

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

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Business combinations (Continued)

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

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

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

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

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

7. Investments in associates and joint ventures

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

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

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

Joint management refers to the joint arrangement that the joint ventures enjoy the relevant arrangements assets and bear the relevant arrangements liabilities. When a group entity undertakes its activities under joint operations, the Group as a joint operator recognized in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the provision applicable to the particular assets, liabilities, revenues and expenses.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Cash and cash equivalents

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

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

(1) Transactions denominated in foreign currencies

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

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

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

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

(2) Translation of financial statements denominated in foreign currency

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

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

10. Financial instruments

(1) Financial assets

(a) Classification of the financial assets

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

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

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

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

- Loans and receivables

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(a) Classification of the financial assets (Continued)

– Available-for-sale financial assets

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

– Held-to-maturity investments

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

(b) Recognition and measurement of the financial assets

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

– Effective interest rate method

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

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

– Subsequent measurement of the financial assets

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

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

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

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

(c) Impairment of financial assets

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(c) Impairment of financial assets (Continued)

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer;
- Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the Group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group. Such observable data includes:
 - (i) Adverse changes in the payment status of borrower in the Group of assets;
 - (ii) Economic conditions in the country or region of the borrower which may lead to a failure to pay the Group of assets;
- Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost (i.e. at the balance sheet date, the fair value of an investment in an equity instrument is not more than 50% of the initial acquisition cost of that investment or the fair value is lower than the initial acquisition cost for more than 12 months);
- Other objective evidence indicating there is an impairment of a financial asset.

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(1) Financial assets (Continued)

(c) Impairment of financial assets (Continued)

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

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

(d) Derecognition of financial assets

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(2) Financial liabilities

(a) Classification, recognition and measurement of financial liabilities

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

– Financial liabilities at FVTPL

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

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

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

– Other financial liabilities

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

10. Financial instruments (Continued)

(2) **Financial liabilities** (Continued)

(b) *Derecognition of financial liabilities*

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

(3) Offsetting financial assets and financial liabilities

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

11. Receivables

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

Basis or monetary criteria for determining an individually significant receivable	A receivable with an amount greater than RMB100,000,000 is considered to be individually significant.
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Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows.
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(2) *Receivables for which provision for impairment is assessed collectively in a group with similar credit risk characteristics*

Bad debt provision method for a portfolio of credit risk characteristics

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

Group 2: no provision	No need to recognize bad debts provision according to nature of business
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Aging analysis method:

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables (Continued)

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

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

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

12. Inventories

(1) Categories of inventories and initial measurement

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

(2) Valuation method of inventories upon delivery

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

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

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

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories (Continued)

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

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

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

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

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

13. Long-term equity investments

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

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

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

(1) Determination of investment cost

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

(2) Subsequent measurement and recognition of profit or loss

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

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

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

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

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

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

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

(5) The disposal of long-term equity investment

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

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

The other comprehensive income recognized before the Group had controlled over the investee under equity method or the financial assets recognition and measurement standard should be treated referring to the same fundamental of disposing related assets and liabilities on losing its control over the investee. The other changes in shareholders' equity of the investee's net assets except the net profit or loss, other comprehensive income and profit distribution will be included in profit or loss for the current year of losing its control over the investee. If the residual interests were measured under the equity method, the Group proportionally carries over the other comprehensive income and other shareholders' equity. If the residual interests were measured under the financial assets recognition and measurement standard, the Group wholly carries over the other comprehensive income and other shareholders' equity.

14. Investment properties

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

14. Investment properties (Continued)

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

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

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

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

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

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

15. Fixed assets

(1) Recognition criteria for fixed assets

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

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

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Those old fixed asset items are replaced by other new fixed asset items, the old fixed asset items should be de-recognized. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed assets (Continued)

(2) Depreciation of each category of fixed assets

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

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

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

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

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

(4) Other explanations

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

16. Construction in progress

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

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

17. Borrowing costs

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

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds.

Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences on foreign currency specific-purpose borrowing are fully capitalized whereas exchange differences on foreign currency general-purpose borrowing is charged to profit or loss.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets

(1) Valuation methods, service life, impairment test

The Group's intangible assets include land use rights, mining rights, concession assets, software, patent and technology rights etc. Intangible assets are measured initially at cost. During the course of transformation of the Company into a limited liability company, the initial costs of intangible assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

(a) Land use rights

Land use rights of the Group are amortized on the straight-line basis according to the useful lives of 40 to 70 years approved in the obtained land use rights certificates.

(b) Mining rights

Amortization is calculated based on the units of production method based only on proved mining reserves.

(c) Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority.

The Group recognizes revenue and a financial asset to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall from the granting authority, if any, between amounts received from users of the public service and specified or determinable amounts.

According to the contract, the Group has the right to charge fees from the service recipients during a certain operating period after the related infrastructure construction is completed. If the charge amount is undetermined, this right does not constitute any right of collecting cash unconditionally. The Group recognizes revenue and intangible assets simultaneously.

The Group classifies the non-current assets linked to the long term investment in these concession arrangements as "concession assets" within intangible assets on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortized over the term of the concession on the straight-line basis under the intangible asset model.

If the financial asset model is applied, the Group recognizes financial assets resulted from the concession arrangement in its balance sheet. The financial asset is measured at amortized cost using the effective interest method. Interest income is recognized in the profit or loss accordingly.

(d) Software

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

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

(e) Patent and proprietary technologies

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

(f) Review the useful life and amortization method periodically

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

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

(2) Research and development expenditure

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

19. Impairment of long-term assets

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

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

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

20. Long-term prepayments

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

21. Employee benefits

(1) Short-term employee benefits

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

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognized as liabilities and included in the profits or losses of the current year or recognized as respective assets costs. At the time of actual occurrence, The Group's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value.

Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Group paid for employees, the Group should recognize corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognized as respective assets costs.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits (Continued)

(2) Post-employment benefits

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

All the employees of the Group enjoy and participate in the endowment insurance plans set by local government, which are called defined contribution plans. The Group takes certain proportion (no more than upper limit) out of employees' wages as endowment insurance, and pays to local labor and social security institutes. Corresponding expense 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 profit or loss in later accounting periods.

Part of subsidiaries of the Group provide medical benefits to the retired employees. The costs of benefits are determined using the same accounting policies with defined benefit plans.

(3) Termination benefits

Liabilities arising from termination benefits and staff internal retirement plan are recognized after the edition of the termination agreement or notice to the employee. The Group should recognize the employee benefits liabilities related to the compensation of the labor relationship termination and charge to profit or loss at the time when the below two signals which happens earlier: (i) The Group cannot withdraw from the compensation plan of the labor relationship termination by itself. (ii) The Group recognizes the costs or expenses of the reorganization involving the compensation of termination. When the Group offers some compensation plans to encourage the employee to accept the termination of the labor relationship voluntarily, the termination benefits are recognized based on the expected number of employee who are willing to take the compensation plans. The specific terms of the termination and early retirement plan varies according to the occupation, seniority and location etc.

The Group provides internal retirement benefits to employees who are willing to retire voluntarily. Internal retirement benefits refer to wages and social security fees the Group pays to employees who retired earlier voluntarily with the approval of the management. Early retirement benefits are recognized in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. The accounting treatments of early retirement benefits are referring to termination benefits. From the date on which the termination benefit requirements are fulfilled, the Group recognizes monthly paid salaries and social benefits for these early retirees during the period from the date of early retirement to the normal retirement date as employee benefits payable and charges to profit or loss of the current year.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

22. Provisions

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

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

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

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

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

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

23. Perpetual bonds or other financial instruments

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue

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

(1) Revenue from sale of goods

Revenue from sale of goods is recognized when:

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

(2) Revenue from construction contracts

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

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

Revenue from fixed price construction contracts is recognized when:

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

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(2) Revenue from construction contracts (Continued)

- (b) When the outcome of a construction contract cannot be estimated reliably:
 - If contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the period in which they are incurred;
 - If contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized.
- (c) If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period.

The disclosure for individual construction is set out in Note VII9(4) and Note VII29(3).

(3) Revenue from rendering of services

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

Revenue from rendering of services is recognized when:
 - The amount of revenue can be measured reliably;
 - It is probable that the associated economic benefits will flow to the Group;
 - The stage of completion of the transaction can be determined reliably;
 - The associated costs incurred or to be incurred can be measured reliably.
- (b) When the outcome of the transaction involving the rendering of services cannot be estimated reliably:
 - When it is probable that the costs incurred that will be recovered, the revenue is recognized to the extent of the costs incurred and the costs are recognized as the same amount;
 - When it is not probable that the costs incurred will be recovered, the costs incurred should be recognized as expenses immediately when incurred and revenue is not recognized.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(4) Assignment of asset use right

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

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

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

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

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

(5) Revenue from mining

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

(6) Revenue from sales of properties

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Government grants

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

A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

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

The Group government grants mainly including the investment subsidies for the purchase of new equipment and other production infrastructure, since that these government grants are used for purchase or forming long-term assets, such grants are the government grants related to assets.

A government grant related to an asset is recognized as deferred income, and amortized to profit or loss on a straight-line basis over the useful life of the related asset.

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

The government grants related to profits are in addition to the ones related to assets. The Group government grants mainly including research subsidies, since that these government grants are mainly the compensation for related expenses or losses of the enterprises, such grants are the government grants related to profits.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. If the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the period.

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

The Group receives relocation compensation from the government for the benefit of public interests such as urban overall planning, reservoir construction, and transformation of squatter settlements and settling area control. The relocation compensation is paid out of financial budgets by governments and is recognized as special payables when received. Compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income, and recognizes as government grants relating to assets or income accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

26. Deferred tax assets/deferred tax liabilities

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

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

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

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

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

27. Leases

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

(1) Operating leases

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

(2) Finance leases

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

(3) Sale and lease back

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

28. Other significant accounting policies and accounting estimates

(1) *Distribution of profit*

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

(2) *Production safety expenses*

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

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilized, they should be offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized as construction in progress. When the assets are ready for their intended use, a same amount should be offset against the special reserve and recorded as accumulated depreciation at the same time. The related fixed asset is not subject to any further depreciation in the subsequent periods.

(3) *Segment information*

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

(4) *Significant accounting judgments and estimates*

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

The Group review the above judgments, estimates and assumptions periodically based on going concern. If the changes of accounting estimates only affect the current period, the influence amount is recognized in the current period. If the changes of accounting estimates affect both of the current period and the future period, the influence amount is recognized in the current period and the future period.

– *Important judgments in applying accounting policies*

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

(a) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V23 to be recorded as equity instrument. Details are set out in Note VII45.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(4) Significant accounting judgments and estimates (Continued)

– The key assumptions and uncertainties used in accounting estimates

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

(a) Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognized using the percentage of completion method (budgeted contract costs shall be estimated by the management). Where the outcome of a construction contract cannot be estimated reliably, (i) if contract costs are expected to be recoverable, contract revenue is recognized to the extent of contract costs that are expected to be recoverable; and contract costs are recognized as expenses in the year in which they are incurred; (ii) if contract costs are not expected to be recoverable, they are recognized as expenses immediately when incurred and contract revenue is not recognized. If the estimated total contract costs exceed total contract revenue, the expected loss is recognized immediately as an expense for the period. When the expected loss of contract confirmed, company would make provision of relevant part of the loss and recognized as expense. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs or extent of progress toward completion; estimates are revised, if needed. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in consolidated income statement in the year in which the circumstances that give rise to the revision become known by management.

(b) Provision for impairment

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(4) Significant accounting judgments and estimates (Continued)

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

(c) Useful lives and residual values of fixed assets

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

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

(d) Impairment loss on assets

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

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 14.29% to 17.33% for the reporting period (for the year ended 31 December 2015: 14.29% to 17.33%).

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

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

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

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(4) Significant accounting judgments and estimates (Continued)

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

(e) Tax

The Company and its subsidiaries are subject to income taxes and other taxes in numerous jurisdictions in domestic provinces and certain overseas countries. The ultimate tax effect of many transactions has uncertainty during normal business activities. The Group shall make significant judgment on current year income tax and land appreciation tax provisions in different areas and districts. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current year income tax provisions in the periods in which the differences arise.

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

As at 30 June 2016, the Group has recognized deferred tax assets of RMB4,091,243,000 (as at 31 December 2015: RMB3,733,420,000) in consolidated balance sheet. In cases where the actual future profits generated is less than estimated and where the actual tax rate is lower than estimated, a material reversal of deferred tax assets may arise, which will be recognized in the income statement in the period in which such a reversal takes place. As at 30 June 2016, the Group has an unrecognized deductible tax losses of RMB19,763,424,000 (as at 31 December 2015: RMB22,009,153,000), and an unrecognized deductible temporary differences of RMB4,290,381,000 (as at 31 December 2015: RMB4,290,281,000), not recognized as deferred income tax assets since the Group is uncertain about recoverable period of deductible tax losses and deductible temporary differences. In cases where the actual future profits generated are greater than estimates and where the actual tax rate is higher than estimates, an adjustment of deferred tax assets may arise, which will be recognized in the income statement in the period in which such an adjustment takes place.

V SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

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

(4) Significant accounting judgments and estimates (Continued)

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

(f) Retirement benefits

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

29. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

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

(2) Changes in significant accounting estimates

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

VI TAXATION

1. Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Value-added tax("VAT")	VAT payable (VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current period)	3%, 6%, 11%, 13% and 17%
Business tax ("BT")	Taxable turnover	3% and 5%
City maintenance and construction tax ("CCT")	Value-added tax, consumption tax and business tax	1%, 5% and 7%
Education surcharges	Value-added tax, consumption tax and business tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

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

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

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VI TAXATION *(Continued)*

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

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

Subject of tax payment	Enterprise income tax rate
MCC Minera Sierra Grande S.A	35%
MCC Luba International (Private) Ltd.	35%
MCC international Venezuelan Ltd.	34%
China Enfi (Namibia) Ltd.	33%
Wuhan Surveying Geotechnical Research Institute Co.,Ecuador Ltd. of MCC	33%
China First Metallurgical India (Private) Ltd.	32.45%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Australia (Brisbane) Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Malaysia Construction Engineering Co., Ltd.	24%
MCC-CISDI Engenharia do Brisal Ltd.	20%
MCC Tian Gong (Kuampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Tailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
China Jingye Engineering Corporation Ltd. (Singapore Branch)	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
MCC Real Estate Tampines Co., Ltd.	17%
China MCC International Economic and Trade (Hong Kong) Co., Ltd.	16.5%
MCC Hong Kong Overseas Ltd.	16.5%
Hong Kong Nan Hua International Engineering Ltd.	16.5%
Xiong Hui Investment Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	16.5%
MCC-CISDI Engenharia do Brisal Ltd.	16.38%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Opration Co., Ltd.	10%
MCC Holding (Hong Kong) Corporation Ltd.	7%
MCC Indonesia Construction Co., Ltd.	
(Formerly name: MCC India Indonesia Construction Co., Ltd.)	3%
MCC Ramu NiCo Ltd.	0%
Ramu NiCo Management (MCC) Ltd.	0%
MCC Tongsin Resources Ltd.	0%
MCC JCL Anak Mining Co., Ltd.	0%
China Metallurgical Group Duda Mining Development Co., Ltd.	0%
China Metallurgical Group Resources Development Co., Ltd.	0%

VI TAXATION *(Continued)*

2. Tax incentive

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

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

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- (c) MCC Chongqing Real Estate Development Co., Ltd., MCC Chongqing Property Management Co., Ltd., Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Engineering Co., Ltd., Chongqing CISDI Metallurgical Equipment Systems Research Center and Integrated Engineering Technology Co., Ltd., Chongqing CISDI Heavy Industry Equipment Co., Ltd., Chongqing CISDI Property Management Co., Ltd. and MCC Xian Electric Furnace Institute Co., Ltd. have been levied at a preferential tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., China Metallurgical Construction Engineering Group Chongqing Steel Structure Co., Ltd. and China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2020.
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2020.

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

The following subsidiaries of the Company have been identified as high-technology enterprises by the provincial Department of Science and other related government authorities, these enterprises can enjoy the related tax incentives of high-technology enterprises:

- (a) CISDI Shanghai Engineering Technology Co., Ltd. and MCC Chang Tian (Hunan) Heavy industry technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2013 to 2016.

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VI TAXATION (Continued)

2. Tax incentive (Continued)

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

- (b) Shanghai Baoye Engineering Technology Co., Ltd., Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 17 Group Co., Ltd., China MCC 5 Group Co., Ltd., Wuhan Huaxia Jingchong Technology Co., Ltd., China First Metallurgical Group Co., Ltd., Beijing Enfi Environmental Protection Co., Ltd., Beijing Enfi Environmental Protection Technology Co., Ltd., MCC Huatian Engineering & Technology (Nanjing) Co., Ltd., Huatian Engineering & Technology Corporation, MCC, Nan Jing Industrial Furnace Co., Ltd., MCC Communication Construction Group Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd. (formerly named: WISDRI (Wuhan) Wei Shi Industrial Furnace Co., Ltd.), WISDRI Engineering & Research Incorporation Limited, China City Environment Protection Engineering Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd. and Shen Kan Engineering & Technology Corporation, MCC have been levied at a preferential tax rate of 15% from 2014 to 2016.
- (c) Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Seric Graphic Mdt Info Tech Ltd., CERI Long Product Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., CERI Eco Technology Co., Ltd., CERI Technology Co., Ltd., MCC Capital Engineering & Research Incorporation Limited, CERI Manufacturing Executive & Managing System Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd. and Hunan Changtian Automation Co., Ltd. have been levied at a preferential tax rate of 15% from 2014 to 2017.
- (d) Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC., China ENFI Engineering Corporation, MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technology Services Co., Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai MCC 20 Group Co., Ltd., China Huaye Group Co., Ltd., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing New Vision Building Construction Technology Co., Ltd., Tianjin Ye Jian Construction Materials Co., Ltd., Beijing MCC Equipment Research & Design Corporation Ltd., China MCC 19 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., Wu Han Yi Ye Steel Structure Co., Ltd., China silicon Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, MCC (Beijing) Transportation Science and Technology Development Co., Ltd., CCTEC ENGINEERING Co., Ltd., Beijing Jinwei Soldering Material Co., Ltd. and CISDI Engineering Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2017.
- (e) Maanshan MCC 17 Engineering Science & Technology Co., Ltd., CERI Colin Environmental Protection Technology Co., Ltd., MCC Capital (Qinhuangdao) Engineering & Research Incorporation Limited, and CERI (Yangzhou) Machinery Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2018.
- (f) Beijing Tiefert Drive Machine Co., Ltd., CISDI Electrics Technology Co., Ltd., Beijing Sida Jian Mao Science and Technology Development Co., Ltd., Northern Engineering & Technology Corporation, MCC(Dalian), ACRE Coking &Refractory Engineering Consulting(Dalian) Corporation, WISDRI Wuhan Steel Design & Research Co., Ltd., WISDRI Handan Wupeng Furnace lining New Material Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., BERIS Engineering and Research Co., Ltd., MCC Energy Conservation Environmental Protection Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd. and Beijing Ye Jian Construction Materials Co., Ltd. have been levied at a preferential tax rate of 15% from 2016 to 2018.

VI TAXATION (Continued)

2. Tax incentive (Continued)

(3) The other major preferential tax benefits

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

The businesses of Huangshi Water Corporation MCC, Lanzhou Zhongtou Water Corporation, Liuan Water Corporation MCC, Maanshan Water Corporation, MCC, Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., and MCC Xuancheng Water Co., Ltd., full within the environmental protection projects which have been supported by the government. From the tax year when the enterprise has obtained the first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted.

Among them, the preferential policy of Huangshi Water Corporation MCC has come into effect in 2011, the applicable tax rate for the current period was 12.5%. The preferential policy of Lanzhou Zhongtou Water Corporation has come into effect in 2012, the applicable tax rate for the current period was 12.5%. The preferential policy of Liuan Water Corporation MCC and Maanshan Water Corporation, MCC has come into effect in 2014 and the applicable tax rate for the current period was 0%. The preferential policy of Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd. and MCC Xuancheng Water Co., Ltd., has come into effect in 2015 and the applicable tax rate for the current period was 0%.

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

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

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

MCC Hunan Changtian Energy-saving and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects. Each project is subject to income tax independently, and shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from its production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

VI TAXATION *(Continued)*

2. Tax incentive *(Continued)*

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

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

MCC Central Research Institute of Jilin and Construction Property Management Co., Ltd., Tianjin Weishi Engineering Detection Co., Ltd., Tianjin Xinbin Engineering Technology Detection Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center and Shanghai Baoye Group Dalian Construction Engineering Co., Ltd. met the standards of Small and Low-Profit Enterprises in 2016, their applicable enterprises income tax rate was 20%.

Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Jingqiu Energy saving Technology Development Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Chongqing Property Management Co., Ltd., China Metallurgical Construction Engineering Group Bangbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Shanghai Baoye Light steel Co., Ltd. and Nanjing Mei Ye Mechanical and Electrical Equipment Co., Ltd. met the standards of Small and Low-Profit Enterprises from 2015 to 2017, their applicable enterprises income tax rate was 20%.

Among them, Shanghai Baoye Group Dalian Construction Engineering Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Chongqing Property Management Co., Ltd., China Metallurgical Construction Engineering Group Bangbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Shanghai Baoye Light steel Co., and Shanghai Zhongye Baosteel Technology Occupation Skill Training Center enjoyed 50% reduction of income tax.

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

China City Environment Protection Engineering Limited Company enjoyed the aforesaid preferential policy in 2016.

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

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd. and Tianjin MCC 20 Group Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2016.

VI TAXATION (Continued)

2. Tax incentive (Continued)

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

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

BERIS Engineering and Research Co., Ltd. has enjoyed the preferential tax policy of the additionally calculation and deduction of research and development expenditures from 2008 to 2016.

MCC Baosteel Technology Services Co., Ltd., Shanghai Baoye Industry Technology Service Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., Shanghai Baojiuhe Refractory Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., Panzhihua Tianyu Engineering Detection Co., Ltd., Tianjin MCC 20 Group Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 5 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China First Metallurgical Group Co., Ltd., Wu Han Yi Ye Steel Structure Co., Ltd., Wuhan Huaxia Jingchong Technology Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Huatian Engineering & Technology (Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering & Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd., China City Environment Protection Engineering Co., Ltd., CCTEC ENGINEERING Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., CISDI Electrics Technology Co., Ltd., Beijing Tiefert Drive Machine Co., Ltd., MCC Xian Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., MCC Chang Tian (Hunan) Heavy Industry Technology Co., Ltd. and MCC Hunan Changtian Energy-saving and Environmental Protection Technology Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2016.

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

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtong Water Corporation, Changzhou Enfi Water Co., Ltd., Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, Maanshan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Beijing Enfi Zhongshui Co., Ltd., MCC Changle Water Co., Ltd., MCC Xinglong Water Co., Ltd. and MCC Qinhuangdao Water Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax refund of 70% for the sewage treatment services since 1 July 2015.

VI TAXATION *(Continued)*

2. Tax incentive *(Continued)*

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

- (i) According to the Ministry of Finance and the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry ("Caishui [2010] No. 110"), the taxable business income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from business tax (after VAT reform, be exempted from VAT).

MCC Hunan Changtian Energy-saving and Environmental Protection Technology Co., Ltd. and MCC Energy Conservation Environmental Protection Co., Ltd. have a number of energy management contract projects, which are exempted from VAT.

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

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

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

- (l) According to "Cai Shui [2008] No. 156", Shanghai MCC Environmental Engineering Technology Co., Ltd. was exempted from value-added tax for the sales of commercial concrete in 2016.

- (m) According to the State Administration of Taxation, No. [2013]37, the technology development business income of MCC Xian Electric Furnace Institute Co., Ltd. and Beijing Enfi Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2016. The income derived from the operations of technology transfers of Zhong Ye Chang Tian International Engineering Co., Ltd. was exempted from the value-added tax in 2016.

- (n) According to the "Caishui [2000] No. 125" issued by the Ministry of Finance and the State Administration of Taxation, Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd. enjoyed the policy of exemption of business tax and property tax for the enterprise public housing rental from January to April 2016.

- (o) According to the "Caishui [2010] No. 42" issued by the Ministry of Finance and the State Administration of Taxation, Wuhu MCC Real Estate Group Co., Ltd. enjoyed the exemption from land use tax (the annual amounts of land-use tax per square meter is RMB12-15 before), and the property transfer book was exempted from stamp duty in 2016.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	26,984	24,418
RMB	14,191	12,694
USD	3,138	2,404
EUR	157	160
AUD	111	275
HKD	111	143
Others	9,276	8,742
Bank deposits	27,794,700	26,671,366
RMB	20,306,098	22,727,621
USD	6,148,775	2,783,849
EUR	29,083	14,665
AUD	260,989	279,891
HKD	28,366	11,454
Others	1,021,389	853,886
Other cash and bank balances	6,695,753	7,034,922
RMB	6,607,891	6,961,126
USD	32,129	25,955
EUR	4,539	15,275
AUD	2,968	2,838
Others	48,226	29,728
Total	34,517,437	33,730,706
Including: Total amount of deposits abroad	1,559,594	1,200,050

As at 30 June 2016, restricted cash and bank balances was RMB3,789,648,000 (as at 31 December 2015: RMB4,994,328,000) (in Note VII65), mainly including deposits for issuing bills of RMB1,871,125,000 (as at 31 December 2015: RMB2,942,072,000), statutory deposit reserve of RMB1,040,812,000 (as at 31 December 2015: RMB1,074,871,000), guarantee deposits of RMB375,829,000 (as at 31 December 2015: RMB542,054,000), and frozen deposits of RMB209,757,000 (as at 31 December 2015: RMB115,179,000) etc.

2. Financial assets at fair value through profit or loss

All amounts in RMB'000

Items	Closing balance	Opening balance
Held-for-trading financial assets	845	1,410,011
Including: Currency funds	—	1,408,856
Equity instruments	845	1,155
Total	845	1,410,011

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

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Bills receivable

(1) Bills receivable analysed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	4,947,544	3,817,183
Commercial acceptance bills	7,339,292	7,543,487
Total	12,286,836	11,360,670

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

All amounts in RMB'000

Items	Amount
Bank acceptance bills	138,878
Commercial acceptance bills	—
Total	138,878

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

As at 30 June 2016, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB5,117,842,000 (as at 31 December 2015: RMB5,214,275,000), among which the amount derecognized was RMB4,756,725,000 (as at 31 December 2015: RMB4,534,826,000), and the amount not derecognized was RMB361,117,000 (as at 31 December 2015: RMB679,449,000).

(4) Bills receivable with title restriction as at 30 June 2016 are set out in Note VII65.

4. Accounts receivable

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

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	44,850,110	43,286,784
1 to 2 years	14,108,254	13,974,180
2 to 3 years	7,369,358	7,689,965
3 to 4 years	5,404,120	4,420,464
4 to 5 years	2,088,667	1,614,508
Over 5 years	2,589,167	2,129,147
Total book value	76,409,676	73,115,048
Less: provisions for bad debts	10,580,036	9,451,939
Carrying amount	65,829,640	63,663,109

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

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount
Individually significant and subject to provision individually (a)	4,186,862	5.48	1,466,811	35.03	2,720,051	3,282,598	4.49	1,182,870	36.03	2,099,728
Subject to provision by groups with credit risk	68,512,654	/	7,391,400	/	61,121,254	68,778,825	/	7,489,319	/	61,289,506
Group 1 (b)	51,262,467	67.09	7,391,400	14.42	43,871,067	52,929,011	72.39	7,489,319	14.15	45,439,692
Group 2	17,250,187	22.57	-	-	17,250,187	15,849,814	21.68	-	-	15,849,814
Accounts receivable which are individually insignificant but subject to provision individually	3,710,160	4.86	1,721,825	46.41	1,988,335	1,053,625	1.44	779,750	74.01	273,875
Total	76,409,676	/	10,580,036	/	65,829,640	73,115,048	/	9,451,939	/	63,663,109

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

All amounts in RMB'000

Accounts receivable (per entity)	Closing balance			
	Book value	Provision for bad debts	Proportion of provision (%)	Reasons
Party 1	1,148,416	120,077	10.46	Discounted amount of future cash flows is less than the original book value
Party 2	575,697	287,848	50.00	
Party 3	517,189	273,839	52.95	
Party 4	386,845	193,422	50.00	
Party 5	277,869	91,632	32.98	
Others	1,280,846	499,993	39.04	
Total	4,186,862	1,466,811	/	/

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

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

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)	Book value of accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	33,133,769	1,656,688	5.00	33,675,263	1,683,763	5.00
1 to 2 years	8,781,276	878,128	10.00	10,090,229	1,009,023	10.00
2 to 3 years	4,398,047	1,319,414	30.00	4,293,138	1,287,942	30.00
3 to 4 years	2,367,863	1,183,932	50.00	2,323,084	1,161,542	50.00
4 to 5 years	1,141,368	913,094	80.00	1,001,239	800,991	80.00
Over 5 years	1,440,144	1,440,144	100.00	1,546,058	1,546,058	100.00
Total	51,262,467	7,391,400	14.42	52,929,011	7,489,319	14.15

(3) Provision for bad debts for the current period was RMB1,045,932,000, recovered or reversed bad debts were RMB1,892,000.

(4) Accounts receivable written off for the current period were RMB1,991,000.

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

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the year
Party 1	Third Party	2,874,851	3.77	277,088
Party 2	Third Party	1,638,480	2.14	643,541
Party 3	Third Party	1,601,667	2.10	—
Party 4	Third Party	1,362,477	1.78	259,805
Party 5	Third Party	1,148,416	1.50	120,077
Total	/	8,625,891	11.29	1,300,511

(6) As at 30 June 2016, the Group had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees (as at 31 December 2015: RMB2,655,058,000). The transfer for the current period did not incur any losses (for the period ended 30 June 2015: RMB136,000,000).

(7) Accounts receivable with title restriction as at 30 June 2016 are set out in Note VII65.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Prepayments

(1) Aging analysis of prepayments

All amounts in RMB'000

Aging	Closing balance As a percentage of total Amount prepayments (%)		Opening balance As a percentage of total Amount prepayments (%)	
Within 1 year	9,535,692	68.37	9,296,402	67.86
1 to 2 years	2,024,986	14.52	2,006,443	14.65
2 to 3 years	670,422	4.81	766,112	5.59
Over 3 years	1,714,895	12.30	1,629,516	11.90
Total	13,945,995	100.00	13,698,473	100.00

As at 30 June 2016, prepayments aged over one year were RMB4,410,303,000 (as at 31 December 2015: RMB4,402,071,000), mainly including prepaid land lease payments and prepaid construction costs.

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

All amounts in RMB'000

Name of entity	Relationship with the Group	Closing balance	As a percentage of total prepayments (%)
Party 1	Third Party	504,000	3.61
Party 2	Third Party	361,292	2.59
Party 3	Third Party	325,585	2.33
Party 4	Associate	225,480	1.62
Party 5	Third Party	137,334	0.99
Total	/	1,553,691	11.14

6. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests on term deposits	26,326	11,644
Total	26,326	11,644

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

The name of investee	Closing balance	Opening balance
Tianjin Tuanbo Urban Development Co., Ltd.	18,000	18,000
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	17,097
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	11,560	696
Maanshan Jiahe Real Estate Co., Ltd.	1,400	1,000
Wuhan Zhonghe Engineering Technique Co., Ltd.	–	1,000
Wuhan Iron & Steel Group Finance Corporation, limited	–	252
Total	48,057	38,045

(2) As at 30 June 2016, dividends receivable aged over one year were RMB35,097,000.

8. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	22,768,015	19,974,505
1 to 2 years	6,317,063	6,171,325
2 to 3 years	2,248,686	2,300,299
3 to 4 years	1,441,163	1,198,992
4 to 5 years	594,594	530,083
Over 5 years	1,501,568	1,331,505
Total book value	34,871,089	31,506,709
Less: provisions for bad debts	2,585,562	2,449,911
Carrying amount	32,285,527	29,056,798

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value	Ratio	Provision for bad debts	Ratio	Carrying amount	Book value	Ratio	Provision for bad debts	Ratio	Carrying amount
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)	
Individually significant and subject to provision individually (a)	2,229,966	6.40	678,291	30.42	1,551,675	1,414,576	4.48	514,704	36.39	899,872
Subject to provision by groups with credit risk	32,198,654	/	1,569,799	/	30,628,855	29,689,129	/	1,614,270	/	28,074,859
Group 1 (b)	6,494,729	18.62	1,569,799	24.17	4,924,930	7,900,614	25.08	1,614,270	20.43	6,286,344
Group 2	25,703,925	73.71	-	-	25,703,925	21,788,515	69.16	-	-	21,788,515
Other receivables which are individually insignificant but subject to provision individually	442,469	1.27	337,472	76.27	104,997	403,004	1.28	320,937	79.64	82,067
Total	34,871,089	/	2,585,562	/	32,285,527	31,506,709	/	2,449,911	/	29,056,798

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

All amounts in RMB'000

Other receivables (per entity)	Closing balance			
	Book value	Provision for bad debts	Proportion of provision (%)	Reasons
Party 1	858,115	195,089	22.73	Discounted amount of future cash flows is less than the original book value.
Party 2	377,172	56,576	15.00	
Party 3	262,050	25,205	9.62	
Party 4	254,423	77,170	30.33	
Party 5	197,082	197,082	100.00	
Others	281,124	127,169	45.24	
Total	2,229,966	678,291	/ /	

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

(2) Other receivables disclosed by category (Continued)

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

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value of other receivables	Provision for bad debts	Proportion of provision (%)	Book value of other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	2,926,155	146,308	5.00	3,925,619	196,281	5.00
1 to 2 years	1,501,582	150,158	10.00	1,937,870	193,787	10.00
2 to 3 years	891,137	267,341	30.00	820,909	246,273	30.00
3 to 4 years	231,153	115,577	50.00	401,165	200,583	50.00
4 to 5 years	271,430	217,143	80.00	188,523	150,818	80.00
Over 5 years	673,272	673,272	100.00	626,528	626,528	100.00
Total	6,494,729	1,569,799	24.17	7,900,614	1,614,270	20.43

(3) Provision for bad debts for the current period was RMB135,676,000, Recovery or reversal of bad debts for the current period was nil.

(4) Other receivables written off for the current period were RMB52,000.

(5) Other receivables categorised by nature

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	19,334,562	16,790,322
Loan receivables from related parties and third parties	5,850,314	5,186,555
Advance to employees	708,302	471,465
Receivables on disposal of investments	6,027,515	6,744,249
Others	2,950,396	2,314,118
Total	34,871,089	31,506,709

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

8. Other receivables (Continued)

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

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the year
Party 1	Third Party	Receivables on disposal of investments	2,971,943	Within 1 year	8.52	-
Party 2	Third Party	Receivables on disposal of investments	1,616,629	Within 1 year	4.64	-
Party 3	Associate	Loan receivables from related parties	1,304,409	Within 1 year	3.74	-
Party 4	Joint Venture	Loan receivables from related parties	1,127,338	Within 1 year	3.23	-
Party 5	Third Party	Loan receivables from third parties	973,821	Within 8 years	2.79	-
Total	/	/	7,994,140	/	22.92	-

(7) As at 30 June 2016, there was no derecognition of other receivables due to the transfer of financial assets (as at 31 December 2015: nil).

9. Inventories

(1) Categories

All amounts in RMB'000

	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	2,405,504	110,952	2,294,552	1,926,197	102,040	1,824,157
Materials procurement	148,128	-	148,128	157,254	-	157,254
Outsourced processing materials	59,124	-	59,124	56,985	-	56,985
Work in progress	2,669,663	6,619	2,663,044	2,534,081	6,710	2,527,371
Finished goods	2,517,961	153,680	2,364,281	2,667,972	281,394	2,386,578
Other materials	426,245	10,632	415,613	426,573	9,496	417,077
Gross amount due from contract customers	61,586,842	1,260,121	60,326,721	52,753,223	1,207,475	51,545,748
Properties under development (a)	44,294,230	205,954	44,088,276	44,084,325	218,630	43,865,695
Completed properties held for sale (b)	11,975,275	74,081	11,901,194	12,584,372	60,000	12,524,372
Total	126,082,972	1,822,039	124,260,933	117,190,982	1,885,745	115,305,237

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

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	Opening balance	Closing balance
Nanjing Xiaguanbin River Project	2011-01-01	2020-04-30	16,728,279	9,826,457	10,140,343
Tianjin Xinbadali District Qixianli Project	2014-12-25	2017-06-30	6,375,700	4,811,471	4,892,141
Beijing Daxing Jiugonglvge A1 Project	2013-09-13	2016-10-31	5,082,000	3,458,738	3,632,050
Brazil Fluctuation Apartment Project	2015-06-30	2018-12-31	3,686,040	2,516,151	2,833,499
Singapore Tampines No.10 Project	2013-10-16	2018-10-16	2,755,922	1,848,589	2,184,134
Chongqing Tieshanping Project	2014-11-01	2020-12-31	4,220,460	1,790,109	1,820,844
Qin Hai Yun Villa Project	2011-08-08	2018-12-31	4,400,000	1,443,029	1,534,098
Singapore Tampines Apartment Project Block D	2015-10-01	2019-11-30	2,008,581	1,100,184	1,297,490
Tangshan Fengrun Gengyang New City Project	2010-03-01	2020-12-31	10,550,000	1,155,165	1,262,364
Baotou MCC Campus South Road Community Project	2011-08-01	2019-12-31	4,100,000	1,637,127	1,248,190
MCC Port Base Project	2016-03-31	2018-11-30	4,504,240	17,792	949,891
Guangdong, Zhuohai, Hengqin New City Headquarters building II	2016-12-01	2019-11-30	8,693,970	705,125	708,644
MCC Dream Gather Plaza	2015-04-05	2016-11-15	1,223,056	671,887	674,165
Heilongjiang, Qiqihaer, MCC, Binjiang International Town Project I	2010-10-16	2016-10-15	1,617,820	573,169	630,933
Zhenjiang Yucui Garden Project	2014-06-01	2019-06-30	1,200,000	716,645	574,954
Hong Kong Quanwan Project	2013-12-06	2017-12-31	1,158,560	520,762	568,328
Maanshan, Jinfu Garden Security Housing Project II	2013-07-01	2017-12-31	1,120,000	213,797	508,058
MCC Southern International Community	2014-01-01	2017-04-30	1,400,000	326,473	463,506
Tangshan MCC Phoenix City	2013-09-01	2016-09-30	600,000	422,481	460,845
Xi'an, MCC, Chang'an City Project II	2013-03-15	2016-12-30	1,160,806	740,222	454,476
MCC Shanghe Residence Project	2014-06-20	2017-12-31	985,930	419,378	445,960
Chongqing, Dadukou, MCC International City Project II	2011-12-01	2017-12-31	1,380,000	528,386	431,937
Hebei, Qinhuangdao, Yudaiwan Project	2008-12-23	2017-12-31	3,675,070	488,565	424,014
MCC: Riverside Project I & II	2013-12-31	2017-12-31	800,000	420,700	420,700
Zhenjiang MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2011-06-03	2017-12-31	1,939,540	422,465	390,933
Hubei Huangshi City-MCC Huangshi Garden Project II	2015-01-01	2018-12-31	1,351,899	360,661	378,486
Shanxi Taiyuan North Street Liuxi Garden Project	2008-03-01	2017-12-31	1,302,263	345,629	357,460
Shanghai Jinshan District - MCC Fengjunyuan Project II	2015-12-31	2017-12-31	517,955	293,070	310,038
Five-star Jiayuan Resettlement Housing Project II	2013-11-06	2017-12-31	334,000	159,471	299,472
Shenyang CB2013-5 Changbai West Road Northern Land	2015-05-01	2018-05-01	681,750	234,702	244,661
Maanshan, Zhongdingyue City Project	2011-09-08	2017-12-31	1,500,000	221,091	221,091
Others	/	/	81,265,393	5,694,834	3,530,525
Total	/	/	178,319,234	44,084,325	44,294,230

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(1) Categories (Continued)

(b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Project completion date	Opening balance	Increase	Decrease	Closing balance
Heilongjiang, Qiqihaer, MCC, Binjiang International Town Project I	2015-12-18	817,101	–	10,543	806,558
Dalian International Business City	2014-12-31	902,790	–	125,684	777,106
Tangshan, Wutong Road Project	2012-10-31	520,906	395	1,932	519,369
Maanshan, Zhongdingyue City Project	2015-12-31	614,774	–	95,882	518,892
Shanghai Jinshan District – MCC Fengjunyuan Project I	2014-01-30	507,544	–	37,271	470,273
Chongqing, Dadukou, MCC International City Project I	2015-10-07	376,447	205,817	133,241	449,023
Shaoxing MCC Chinese Parasol Garden III	2015-06-30	422,235	34,524	8,546	448,213
Qin Hai Yun Villa Project	2014-10-31	395,139	–	–	395,139
Baotou MCC Campus South Road Community Project	2016-02-28	35,638	816,385	457,256	394,767
Heilongjiang, Qiqihaer, Longsha District New Century Plaza Project	2013-12-30	336,576	37,828	–	374,404
MCC Blue Riverside Project (Zhenjiang MCC Blue City Project)	2012-12-31	297,577	62,706	19,208	341,075
Jilin Qingshanbishui Project	2013-12-31	370,264	3,957	34,858	339,363
New Phoenix City Yuhua Road South Project	2014-12-25	369,147	8,836	50,947	327,036
Shaoxing MCC Chinese Parasol Garden II	2015-11-30	344,669	4,774	24,369	325,074
Anshan Yuluanwan Project II	2014-10-30	317,251	–	11,929	305,322
Guangdong, Zhuhai, Hengqin New City Headquarters Building I	2016-06-30	–	1,135,090	853,888	281,202
Xi'an, MCC, Chang'an City Project I	2013-12-25	298,959	–	24,567	274,392
Anshan, MCC, Yuluanwan Project III	2016-01-31	–	339,858	83,503	256,355
Chongqing, Bishan District, MCC Daishanyipin Project I	2015-09-10	302,588	–	57,218	245,370
Jiangsu Kunshan MCC Kuntong Project	2014-04-30	284,706	27,415	71,161	240,960
Guangxi Fangchenggang – MCC Xingganghua Mansion Project	2014-12-31	239,153	11,508	11,723	238,938
Chongqing MCC Chongqing Morning Project	2012-12-28	253,015	–	25,962	227,053
Tangshan Heliangongfang District Rebuilding Project	2012-06-30	220,099	–	–	220,099
Sichuan Pi County World of Countryside Project	2013-05-18	225,042	1,456	11,082	215,416
Others	/	4,132,752	3,527,425	4,676,301	2,983,876
Total	/	12,584,372	6,217,974	6,827,071	11,975,275

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

Items	Opening balance	Increase Provision	Others	Reversals	Decrease Write-offs	Others	Closing balance
Raw materials	102,040	8,932	–	–	20	–	110,952
Work in progress	6,710	–	–	91	–	–	6,619
Finished goods	281,394	30,185	291	–	158,190	–	153,680
Other materials	9,496	1,136	–	–	–	–	10,632
Gross amount due from contract customers	1,207,475	156,214	–	393	18,663	84,512	1,260,121
Properties under development	218,630	–	–	12,676	–	–	205,954
Completed properties held for sale	60,000	15,981	–	–	1,900	–	74,081
Total	1,885,745	212,448	291	13,160	178,773	84,512	1,822,039

- (3) As at 30 June 2016, the total borrowing costs capitalized in properties under development were RMB5,023,195,000 (as at 31 December 2015: RMB4,660,398,000). Borrowing costs capitalized during the period ended 30 June 2016 amounted to RMB663,946,000 (for the period ended 30 June 2015: RMB1,123,604,000). The capitalization rates of borrowing costs were from 2.75% to 6.86% (for the period ended 30 June 2015: from 3% to 8.5%).

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

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	647,526,141
Recognized profits to date	52,764,563
Less: Estimated loss	1,260,121
Accumulated settlements	638,703,862
Gross amount due from contract customers	60,326,721

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

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Inventories (Continued)

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

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

Up to 30 June 2016, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. Based on the assessment of the project costs, the Group is of the view that the previous estimation of project construction costs made at the end of 2012 should not have any significant change. Hence, as at 30 June 2016, the Group did not make any adjustment on the provision for loss of the project.

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

10. Non-current assets due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long term receivables due within one year (Note VII14)	6,558,559	7,054,781
Total	6,558,559	7,054,781

11. Other current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Advance payment of taxes	301,243	229,319
Total	301,243	229,319

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Available-for-sale financial assets

(1) Available-for-sale financial assets

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Available-for-sale equity instruments:						
– Measured at fair value	1,631,932	93,294	1,538,638	1,673,446	93,294	1,580,152
– Measured at cost	374,252	–	374,252	480,449	–	480,449
Others	1,257,680	93,294	1,164,386	1,192,997	93,294	1,099,703
	429,750	–	429,750	100,000	–	100,000
Total	2,061,682	93,294	1,968,388	1,773,446	93,294	1,680,152

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

All amounts in RMB'000

Category	Available-for-sale equity instruments	Others	Total
Cost/carrying cost	109,822	429,750	539,572
Fair value	374,252	429,750	804,002
Cumulative fair value changes included in other comprehensive income	264,430	–	264,430
Accumulated impairment amount	–	–	–

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

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

All amounts in RMB'000

Company name	Book value			Provision for impairment			Percentage of shareholding in the investee (%)			Cash dividends
	Opening balance	Increase	Decrease	Closing balance	Opening balance	Increase	Decrease	Closing balance		
Tangshan Stainless steel Co., Ltd. (Note IX3(1)(a)(iii))	645,000	-	-	645,000	-	-	-	-	23.89	-
Hebei Steel Luan County Sijaying Iron Ore Co., Ltd.	80,000	-	-	80,000	-	-	-	-	14.45	11,560
China Overseas Infrastructure Development Investment Co., Ltd.	-	64,882	-	64,882	-	-	-	-	3.85	-
BERIS Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd. (Note IX3(1)(a)(iii))	48,000	-	-	48,000	48,000	-	-	48,000	20.00	-
Harbin Shuangji Environmental Resources Co., Ltd. (Note IX3(1)(a)(iii))	48,000	-	-	48,000	-	-	-	-	20.00	-
Yunnan Panxing Real Estate Development Co., Ltd.	30,000	-	-	30,000	-	-	-	-	10.00	-
Great Wall Life Insurance Co., Ltd.	30,000	-	-	30,000	-	-	-	-	1.28	-
Jidong Cement Luanxian Co., Ltd.	29,705	-	-	29,705	-	-	-	-	6.74	-
Hankou Bank Co., Ltd.	27,696	-	-	27,696	-	-	-	-	0.74	-
Kunming Hai Chen Investment Co., Ltd.	22,500	-	-	22,500	-	-	-	-	15.00	-
Others	232,096	-	199	231,897	45,294	-	-	45,294	/	5,414
Total	1,192,997	64,882	199	1,257,680	93,294	-	-	93,294	/	16,974

(4) Provision for impairment

All amounts in RMB'000

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

- (5) During the current accounting period, the Group did not have any available-for-sale financial assets having significant or prolonged decline in fair value but no impairment provision was made.

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Held-to-maturity investments

All amounts in RMB'000

Items	Book value	Closing balance Provision for impairment	Carrying amount	Book value	Opening balance Provision for impairment	Carrying amount
Treasury bonds	144	144	–	144	144	–
Other bonds	3,971	3,951	20	3,971	3,951	20
Total	4,115	4,095	20	4,115	4,095	20

14. Long-term receivables

All amounts in RMB'000

Items	Book value	Closing balance Provision for bad debts	Carrying amount	Book value	Opening balance Provision for bad debts	Carrying amount	Range of discount rate
Receivables on "Build-Transfer" project receivables	12,395,979	107,506	12,288,473	12,967,141	139,957	12,827,184	4.35%–6.15%
Receivables on disposal of equity investments	341,558	–	341,558	333,485	–	333,485	
Others (a)	1,801,697	–	1,801,697	1,776,633	–	1,776,633	
Total	14,539,234	107,506	14,431,728	15,077,259	139,957	14,937,302	/
Including: Long term receivables due within one year	6,558,559	–	6,558,559	7,113,904	59,123	7,054,781	/
Long term receivables due after one year	7,980,675	107,506	7,873,169	7,963,355	80,834	7,882,521	/

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

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.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. 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 30 June 2016, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1,260,000,000.

15. Long-term equity investments

All amounts in RMB'000

Company name	Opening balance net of provision	Increasing investments	Decreasing investments	Movements during the current period					Provision for impairment for the current period	Others	Closing balance net of provision	Impairment provision
				Share of profits/(losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends					
1. Joint ventures												
Tianjin Zhongji Equipment Manufacture Co., Ltd.	348,376	-	-	(26,435)	-	-	-	-	-	-	321,941	-
Beijing New Century Hotel Co., Ltd. (NoteX1(1)(b))	200,088	-	-	(582)	-	-	-	-	-	-	199,506	-
Guizhou Ziwang Highway Construction Co., Ltd. (NoteX1(1)(b))	-	152,946	-	-	-	-	-	-	-	-	152,946	-
Guizhou Sanli Highway Construction Co., Ltd. (NoteX1(1)(b))	-	135,748	-	-	-	-	-	-	-	-	135,748	-
Others	70,594	76,775	(1,200)	(2,557)	-	-	-	-	-	-	143,612	-
Subtotal	619,058	365,469	(1,200)	(29,574)	-	-	-	-	-	-	953,753	-
2. Associates												
Tianjin SERI Machinery Equipment Corporation Ltd.	720,215	-	-	3,701	-	-	-	-	-	-	723,916	-
CERI Yingkou Equipment Technology Co., Ltd.	622,526	-	-	(83,024)	-	-	-	-	-	-	539,502	-
Nanjing Ming's Culture Co., Ltd.	299,111	-	-	(17,046)	-	-	-	-	-	-	282,065	-
Tianjin Tuanbo Urban Development Co., Ltd.	205,577	-	-	7,381	-	-	-	-	-	-	212,958	-
Zhongshan Finance Investment Holdings Co., Ltd.	200,643	-	-	1,417	-	-	-	-	-	-	202,060	-
Baotou MCC Real Estate Co., Ltd.	202,509	-	-	(3,752)	-	-	-	-	-	-	198,757	-
Others	1,045,386	228,486	(50,187)	(28,653)	-	-	(11,491)	-	-	-	1,183,541	56,731
Subtotal	3,295,967	228,486	(50,187)	(119,976)	-	-	(11,491)	-	-	-	3,342,799	56,731
Total	3,915,025	593,955	(51,387)	(149,550)	-	-	(11,491)	-	-	-	4,296,552	56,731

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
I. Total original book value			
1. Opening balance	2,167,157	555,907	2,723,064
2. Increase	55,180	—	55,180
(1) Transferred from fixed assets	31,024	—	31,024
(2) Others	24,156	—	24,156
3. Decrease	4,070	—	4,070
(1) Transferred to fixed assets	4,070	—	4,070
4. Closing balance	2,218,267	555,907	2,774,174
II. Total accumulated depreciation and amortization			
1. Opening balance	479,695	73,093	552,788
2. Increase	42,214	6,172	48,386
(1) Depreciation or amortization	27,401	6,172	33,573
(2) Transferred from fixed assets	14,641	—	14,641
(3) Others	172	—	172
3. Decrease	204	—	204
(1) Transferred to fixed assets	204	—	204
4. Closing balance	521,705	79,265	600,970
III. Total accumulated impairment provision			
1. Opening balance	—	—	—
2. Increase	—	—	—
(1) Provision	—	—	—
3. Decrease	—	—	—
(1) Disposal	—	—	—
4. Closing balance	—	—	—
IV. Total carrying amount			
1. Closing balance	1,696,562	476,642	2,173,204
2. Opening balance	1,687,462	482,814	2,170,276

(2) As at 30 June 2016, the Group did not have any properties and land use rights of which the title certificates were not obtained by the Group (as at 31 December 2015: Nil).

(3) Investment properties with title restriction as at 30 June 2016 are set out in Note VII65.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets

(1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Motor vehicles	Other equipment	Total
I. Total historical cost:					
1. Opening balance	20,353,413	22,369,033	2,342,080	2,995,528	48,060,054
2. Increase	488,564	1,137,459	52,242	148,019	1,826,284
(1) Purchase	86,971	162,426	43,097	72,235	364,729
(2) Transferred from investment properties	4,070	—	—	—	4,070
(3) Transferred from construction in progress	305,246	808,229	363	33,695	1,147,533
(4) Others	92,277	166,804	8,782	42,089	309,952
3. Decrease	122,077	248,547	157,363	53,514	581,501
(1) Disposal or written-off	42,674	182,866	107,755	52,568	385,863
(2) Transferred to investment properties	31,024	—	—	—	31,024
(3) Transferred to construction in progress	40,390	143	—	—	40,533
(4) Others	7,989	65,538	49,608	946	124,081
4. Closing balance	20,719,900	23,257,945	2,236,959	3,090,033	49,304,837
II. Total accumulated depreciation					
1. Opening balance	4,708,911	9,236,814	1,441,327	1,087,327	16,474,379
2. Increase	385,627	880,467	101,198	83,594	1,450,886
(1) Depreciation	381,426	826,185	99,556	82,334	1,389,501
(2) Transferred from investment properties	204	—	—	—	204
(3) Others	3,997	54,282	1,642	1,260	61,181
3. Decrease	50,413	187,282	110,082	15,466	363,243
(1) Disposal or written-off	23,260	182,309	89,743	14,914	310,226
(2) Transferred to investment properties	14,641	—	—	—	14,641
(3) Transferred to construction in progress	8,666	88	—	—	8,754
(4) Others	3,846	4,885	20,339	552	29,622
4. Closing balance	5,044,125	9,929,999	1,432,443	1,155,455	17,562,022
III. Total impairment provision					
1. Opening balance	374,380	919,969	26,625	110,483	1,431,457
2. Increase	4,802	8,266	413	2,253	15,734
(1) Others	4,802	8,266	413	2,253	15,734
3. Decrease	20,780	2,127	116	—	23,023
(1) Disposal or written-off	—	1,979	116	—	2,095
(2) Others	20,780	148	—	—	20,928
4. Closing balance	358,402	926,108	26,922	112,736	1,424,168
IV. Total carrying amount of fixed assets					
1. Closing balance	15,317,373	12,401,838	777,594	1,821,842	30,318,647
2. Opening balance	15,270,122	12,212,250	874,128	1,797,718	30,154,218

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

17. Fixed assets (Continued)

(2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	31,139	28,287	–	2,852	Seasonal suspension or idle
Machinery and equipment	167,352	92,519	46,408	28,425	Seasonal suspension or idle
Other equipment	812	752	–	60	Seasonal suspension or idle

(3) Fixed assets under finance leases

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery and equipment	290,645	65,462	–	225,183

(4) Fixed assets under operating leases

All amounts in RMB'000

Items	Carrying amount
Machinery and equipment	35,655
Motor vehicles	40,093

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

Buildings and structures with an aggregate carrying amount of RMB67,518,000 (historical cost: RMB82,990,000) as at 30 June 2016 (as at 31 December 2015: carrying amount of RMB208,802,000; historical cost of RMB255,925,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
The office building of MCC Huaye Resources Development Company in Tianjin	50,980	In the process
The office building of MCC Huaye Resources Development Company in Beijing	16,538	In the process

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. Fixed assets *(Continued)*

- (6) Fixed assets with title restriction as at 30 June 2016 are set out in Note VII65.
- (7) The total depreciation of the Group's fixed assets amounted to RMB1,389,501,000 (for period ended 30 June 2015: RMB1,381,282,000) for the current period, of which RMB1,003,490,000, RMB7,352,000 and RMB311,759,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (for the period ended 30 June 2015: RMB935,253,000, RMB6,837,000 and RMB316,483,000). The amount of depreciation of the Group's fixed assets which was not charged to profit or loss but capitalized as part of inventories amounted to RMB66,900,000 (for the period ended 30 June 2015: RMB122,709,000).
- (8) The Group made impairment provision for fixed assets of RMB1,424,168,000 as at 30 June 2016 (as at 31 December 2015: RMB1,431,457,000).
- (a) As the market price of poly-silicon remained low, certain items of fixed assets of China Silicon Corporation Ltd. ("China Silicon"), a subsidiary of the Company, had impairment indicators. The Group performed an impairment assessment based on their estimated recoverable value of the production lines involving relative assets. The recoverable value was estimated by calculating the present value of the estimated future cash flows. The estimated future cash flows were forecasted with reference to estimated production capacity, annual planned production volume, the forecast prices of poly-silicon, estimated production growth and gross margin and estimated years of operations. As at 31 December 2015, based on the impairment assessment, the accumulated impairment provision for the fixed assets of China Silicon amounted to RMB486,109,000. The Group assessed the present value of the recoverable value based on the latest financial forecast approved by the management and a pre-tax discount rate of 15.76% (for the year ended 31 December 2015: 15.76%), and made no extra impairment provision for current period (for the period ended 30 June 2015: nil). The fixed assets of China Silicon belong to the resource development segment.
- (b) As the international market price of nickel and cobalt remained low, fixed assets of Ramu Nico Project Papua New Guinea, a subsidiary of the Company, had impairment indicator. Based on the impairment assessment, the Group made an impairment provision for the fixed assets of Ramu Nico Project Papua New Guinea amounting to RMB656,184,000 for the year ended 31 December 2015. As at 30 June 2016, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB9,786,807,000, the Group has re-assessment of the main factors of effecting the impairment provision. The recoverable value was determined by calculating the present value of the estimated future cash flows generated by the assets based on the five-year financial forecast approved by the management and a pre-tax discount rate of 14.29%. The estimated future cash flows were forecasted with reference to the forecast prices of nickel and cobalt, estimated production capacity, annual planned production volume, expected revenue growth and gross margin and estimated years of operations, taking the exercise of the Papua New Guinea parties into consideration (Note VII14). Based on the impairment assessment, the Group made no extra impairment provision for current period (for the period ended 30 June 2015: nil). The related fixed assets belong to the resource development segment.

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress

(1) Construction in progress

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	973,678	–	973,678	941,428	–	941,428
China ENFI Engineering Co., Ltd. office building renovation	368,207	–	368,207	310,851	–	310,851
Duddar lead-zinc project	890,414	603,202	287,212	810,080	603,202	206,878
Research and design center of Zhong Ye Chang Tian International Engineering Co., Ltd.	276,410	–	276,410	182,849	–	182,849
Project in transforming steel slag line into cement production line	185,281	–	185,281	185,246	–	185,246
CISDI R&D center in Chengdu	142,031	–	142,031	75,519	–	75,519
Southern building of MCC	140,854	–	140,854	108,644	–	108,644
China ENFI Engineering Co., Ltd. – Eernaqi Photovoltaic Project	83,178	–	83,178	58,671	–	58,671
Junliang city base construction project	81,302	–	81,302	73,885	–	73,885
Ultra high purified polysilicon energy conservation technological transformation project	63,896	–	63,896	55,029	–	55,029
Others	912,623	7,072	905,551	1,387,903	7,988	1,379,915
Total	4,117,874	610,274	3,507,600	4,190,105	611,190	3,578,915

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

18. Construction in progress (Continued)

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

All amounts in RMB'000

Items	Budgeted amount	Opening balance	Increase	Transfer to fixed assets	Other changes	Closing balance	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Including: Capitalized borrowing costs for the current period	Latest rate of borrowing costs capitalized for the current period (%)	Sources of fund
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	23,847,800	941,428	32,250	-	-	973,678	19.17	19.17	-	-	-	Self-raised funds
China ENFI Engineering Co., Ltd. office building renovation	680,000	310,851	57,356	-	-	368,207	54.15	54.15	20,463	5,236	5.41	Self-raised funds & loan from financial institutions
Duddar lead-zinc project	1,070,448	810,080	80,334	-	-	890,414	83.18	83.18	10,332	4,848	5.00	Self-raised funds & loan from financial institutions
Research and design center of Zhong Ye Chang Tian International Engineering Co., Ltd.	569,000	182,849	93,561	-	-	276,410	70.22	70.22	-	-	-	Self-raised funds
Project in transforming steel slag line into cement production line	188,832	185,246	35	-	-	185,281	98.12	98.12	-	-	-	Self-raised funds
CISDI R&D center in Chengdu	766,550	75,519	66,512	-	-	142,031	18.61	18.61	-	-	-	Self-raised funds
Southern building of MCC	220,000	108,644	32,210	-	-	140,854	55.00	55.00	-	-	-	Self-raised funds
China ENFI Engineering Co., Ltd. - Eernaqi Photovoltaic Project	123,664	58,671	24,507	-	-	83,178	68.80	68.80	1,397	1,046	4.85	Self-raised funds & loan from financial institutions
Junliang city base construction project	85,000	73,885	7,417	-	-	81,302	95.65	95.65	-	-	-	Self-raised funds
Ultra high purified polysilicon energy conservation technological transformation project	527,449	55,029	13,005	(4,138)	-	63,896	73.00	73.00	-	-	-	Self-raised funds
Others	24,145,591	1,387,903	715,922	(1,143,395)	(47,807)	912,623	/	/	3,767	2,481	/	-
Total	52,224,334	4,190,105	1,123,109	(1,147,533)	(47,807)	4,117,874	/	/	35,959	13,611	/	-

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. Construction in progress *(Continued)*

(3) The Group made no impairment provision for construction in progress for the current period (for the period ended 30 June 2015: Nil).

- (a) As Duddar Lead-Zinc Project had an impairment indicator, the Group performed an impairment assessment based on their estimated recoverable value of relative assets. The recoverable value was estimated by calculating the present value of the estimated future cash flows. The estimated future cash flows were forecasted with reference to estimated production capacity, annual planned production volume, estimated production growth, estimated gross margin and estimated years of operations. Estimated income growth and gross margin were determined according to past market performance and management expectation. For the year ended 31 December 2014, the Group started the implementation of technological transformation of Duddar Lead-Zinc Project. As at 31 December 2015, based on the impairment assessment, the accumulated impairment provision for the construction-in-progress of Duddar Lead-Zinc Project amounted to RMB603,202,000. According to the latest financial forecast approved by the management and a pre-tax discount rate of 15% (for the year ended 31 December 2015: 15%) to assess the present value of the recoverable value, the Group should make no extra impairment provision for current period (for the period ended 30 June 2015: nil). The related construction-in-progress belong to the resource development segment.

19. Materials for construction of fixed assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Materials	22,250	25,408
Equipment	47,184	47,591
Tools and instruments prepared for production	681	673
Others	23	23
Total	70,138	73,695

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Intangible assets

(1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	The right to use the franchise	Software	Patent and proprietary technology	Trademark right	Total
I. Total historical cost:							
1. Opening balance	6,908,947	3,961,165	7,743,315	463,346	48,019	270	19,125,062
2. Increase	106,472	139,783	70,929	12,255	3,412	–	332,851
(1) Purchase	103,422	–	70,929	12,102	3,412	–	189,865
(2) Others	3,050	139,783	–	153	–	–	142,986
3. Decrease	9,874	100	97	244	–	–	10,315
(1) Disposal	4,671	–	57	178	–	–	4,906
(2) Others	5,203	100	40	66	–	–	5,409
4. Closing balance	7,005,545	4,100,848	7,814,147	475,357	51,431	270	19,447,598
II. Total accumulated amortization							
1. Opening balance	1,033,890	96,051	660,127	304,053	35,212	270	2,129,603
2. Increase	71,743	4,133	77,642	24,679	1,311	–	179,508
(1) Amortization	71,743	4,133	77,642	24,679	1,311	–	179,508
3. Decrease	2,076	3	45	236	–	–	2,360
(1) Disposal	724	–	45	178	–	–	947
(2) Others	1,352	3	–	58	–	–	1,413
4. Closing balance	1,103,557	100,181	737,724	328,496	36,523	270	2,306,751
III. Total impairment provision							
1. Opening balance	29,575	2,438,522	–	16	–	–	2,468,113
2. Increase	2,222	111,905	–	–	–	–	114,127
(1) Others	2,222	111,905	–	–	–	–	114,127
3. Decrease	–	–	–	–	–	–	–
(1) Disposal	–	–	–	–	–	–	–
4. Closing balance	31,797	2,550,427	–	16	–	–	2,582,240
IV. Carrying amount of intangible assets							
1. Closing balance	5,870,191	1,450,240	7,076,423	146,845	14,908	–	14,558,607
2. Opening balance	5,845,482	1,426,592	7,083,188	159,277	12,807	–	14,527,346

As at 30 June 2016, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.03% (as at 31 December 2015: 0.03%).

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

20. Intangible assets (Continued)

(2) As the Cape Lambert Iron Project owned by MCC Australia Holding Pty Ltd. ("MCCA", a wholly owned subsidiary of the Company) had an impairment indicator, the estimated recoverable value of assets of the Cape Lambert Iron Project ("the Cape Lambert Assets") was determined by a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Ltd., an independent valuer. Based on the impairment assessment, as at 31 December 2015, the Group made an accumulated impairment provision for the Cape Lambert Assets amounting to RMB2,431,251,000, including the accumulated decreasing impact on exchange fluctuation of Australian dollars of RMB603,961,000.

The impairment provision for intangible assets increased by RMB111,905,000 (for the period ended 30 June 2015: decreased by RMB125,467,000) was due to exchange fluctuation of Australian dollars. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 30 June 2016 are set out in Note VII65.

21. Goodwill

(1) Original historical amount

All amounts in RMB'000

Company name	Opening balance	Increase Business combinations	Others	Decrease Disposal	Others	Closing balance
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	-	-	-	-	170,886
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	69,993	-	-	-	6,971	63,022
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
Shanghai SanGang Transport Handling Co., Ltd.	9,676	-	-	-	-	9,676
Ningcheng County HongDa Mining Co., Ltd.	7,187	-	-	-	-	7,187
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Beijing Tianrun Construction Co., Ltd.	5,142	-	-	-	-	5,142
Shanghai WuGang Equipment Engineering Co., Ltd.	1,114	-	-	-	-	1,114
Wuhan Huaxia Jingchong Technology Co., Ltd.	837	-	-	-	-	837
Shanghai YiGang Electrical Co., Ltd.	448	-	-	-	-	448
Total	545,317	-	-	-	6,971	538,346

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

21. Goodwill (Continued)

(2) Impairment provision

All amounts in RMB'000

Company name or matters resulting in goodwill	Opening balance	Increase Provision	Others	Decrease Disposal	Others	Closing balance
Beijing GuangYuanli Real Estate Development Co., Ltd.	170,886	-	-	-	-	170,886
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	69,993	-	-	-	6,971	63,022
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Shanghai SanGang Transport Handling Co., Ltd.	9,676	-	-	-	-	9,676
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	7,799	99	-	-	-	7,898
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Shanghai YiGang Electrical Co., Ltd.	-	448	-	-	-	448
Total	371,584	547	-	-	6,971	365,160

The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33% (as at 31 December 2015: 17.33%). Cash flow projections during the forecast period for the asset groups are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development.

22. Long-term prepayments

All amounts in RMB'000

Items	Opening balance	Increase	Amortization	Other decreases	Closing balance
Improvements of operating lease of fixed assets	27,034	830	6,176	-	21,688
Insurance expenditures	21,937	2,922	3,710	-	21,149
Rental expenditures	37,918	779	3,413	-	35,284
Repair expenditures	13,185	537	3,498	-	10,224
Others	104,631	59,809	12,588	-	151,852
Total	204,705	64,877	29,385	-	240,197

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

23. Deferred tax assets and deferred tax liabilities

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

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Deductible temporary differences/ tax losses	Deferred tax assets	Deductible temporary differences/ tax losses	Deferred tax assets
Impairment provision	14,527,457	2,849,574	13,231,727	2,582,870
Unrealized profit on inter-company transactions	1,339,719	292,897	1,294,257	276,138
Defined benefit plans	1,653,510	390,809	1,718,718	407,265
Deductible tax losses	1,002,337	236,929	834,614	191,262
Employee benefits payable	661,782	143,232	565,033	118,996
Changes in the fair value of available-for-sale financial assets	6,470	1,582	2,356	589
Others	1,107,402	230,398	1,041,527	217,403
Total	20,298,677	4,145,421	18,688,232	3,794,523

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

All amounts in RMB'000

Items	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	120,610	38,984	137,424	44,830
Changes in the fair value of available-for-sale financial assets	270,829	67,365	372,556	92,496
Others	1,066,570	266,044	1,002,690	249,082
Total	1,458,009	372,393	1,512,670	386,408

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(3) Deferred tax assets and deferred tax liabilities presented on a net basis after offsetting

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the period	Deferred tax assets or liabilities after offset at the end of the period	The offset amount of deferred tax assets and liabilities at the beginning of the period	Deferred tax assets or liabilities after offset at the beginning of the period
Deferred tax assets	54,178	4,091,243	61,103	3,733,420
Deferred tax liabilities	54,178	318,215	61,103	325,305

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

All amounts in RMB'000

Items	Closing balance	Opening balance
Deductible temporary differences	4,290,381	4,290,281
Deductible tax losses	19,763,424	22,009,153
Total	24,053,805	26,299,434

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

All amounts in RMB'000

Year	Closing balance	Opening balance
2016	—	3,203,511
2017	7,011,501	7,419,018
2018	4,888,625	4,914,301
2019	3,092,907	3,145,673
2020	3,052,654	3,326,650
2021	1,717,737	—
Total	19,763,424	22,009,153

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

24. Other non-current assets

All amounts in RMB'000

Items	Closing balance	Opening balance
Deposits for acquisition of assets	20,608	110,000
Total	20,608	110,000

25. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledged loans (a)	200,000	524,120
Mortgaged loans (b)	184,000	250,500
Guaranteed loans (c)	336,865	324,680
Credit loans	48,325,490	35,698,852
Total	49,046,355	36,798,152

(a) Pledged loans

As at 30 June 2016, borrowings of RMB200,000,000 (as at 31 December 2015: RMB524,120,000) were secured by the pledge of the Group's accounts receivable in an aggregate amount of RMB200,000,000 (as at 31 December 2015: RMB524,120,000).

(b) Mortgaged loans

As at 30 June 2016, borrowings of RMB184,000,000 (as at 31 December 2015: RMB250,500,000) were secured by the mortgage of the Group's intangible assets, fixed assets and investment properties in an aggregate amount of RMB424,692,000 (as at 31 December 2015: RMB684,948,000).

(c) Guaranteed loans

As at 30 June 2016, borrowings of RMB336,865,000 were guaranteed by CMGC (as at 31 December 2015: RMB324,680,000 were guaranteed by CMGC).

(2) As at 30 June 2016, the weighted average interest rate of short-term borrowings was 4.54% per annum (as at 31 December 2015: 5.46% per annum).

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

26. Derivative financial liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Forward exchange contracts	7,680	14,339
Total	7,680	14,339

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

27. Bills payable

All amounts in RMB'000

Category	Closing balance	Opening balance
Bank acceptance bills	13,162,438	14,375,785
Commercial acceptance bills	1,332,120	1,265,841
Total	14,494,558	15,641,626

28. Accounts payable

(1) Accounts payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	60,704,278	57,333,193
Purchases	23,208,839	22,332,597
Design fees	145,648	145,177
Labor fees	4,540,422	4,925,248
Accrued accounts payable	8,453,872	7,734,620
Retention money	418,410	416,152
Others	405,993	527,001
Total	97,877,462	93,413,988

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

28. Accounts payable (Continued)

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	68,028,417	64,692,866
1 to 2 years	16,452,164	15,073,197
2 to 3 years	7,519,119	7,802,144
Over 3 years	5,877,762	5,845,781
Total	97,877,462	93,413,988

(3) Significant accounts payable aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	455,231	Projects not yet settled
Party 2	Third Party	209,861	
Party 3	Third Party	136,163	
Party 4	Third Party	102,000	
Party 5	Third Party	98,779	
Total	/	1,002,034	/

29. Receipts in advance

(1) Receipts in advance

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	8,754,867	6,755,317
Sales proceeds	10,871,917	9,485,461
Design fees	937,398	777,410
Labor fees	50,239	157,760
Gross amounts due to contract customers	11,262,046	12,153,097
Others	539,518	810,914
Total	32,415,985	30,139,959

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

29. Receipts in advance (Continued)

(2) Significant receipts in advance aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	426,749	Projects not yet settled
Party 2	Third Party	307,462	
Party 3	Third Party	266,024	
Party 4	Third Party	220,000	
Party 5	Third Party	211,175	
Total	/	1,431,410	/

(3) Gross amounts due to contract customers of construction contracts as at 30 June 2016

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	215,434,319
Recognized profits to date	22,227,334
Less: Estimated loss	19,495
Accumulated settlement	248,904,204
Gross amounts due to contract customers	(11,262,046)

30. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Short-term employee benefits	1,818,831	6,407,020	6,275,030	1,950,821
II. Post-employment benefits – defined contribution plan	198,732	1,322,397	1,306,910	214,219
III. Termination benefits	22,895	43,430	47,788	18,537
IV. Other benefits	20,704	71,863	70,545	22,022
Total	2,061,162	7,844,710	7,700,273	2,205,599

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

30. Employee benefits payable (Continued)

(2) Short-term employee benefits

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
I. Salaries, bonuses, allowances and subsidies	1,018,448	4,924,226	4,824,477	1,118,197
II. Staff welfare	3,775	152,799	153,106	3,468
III. Social insurance premiums	34,099	515,204	518,537	30,766
Including: Medical insurance	31,688	453,374	456,548	28,514
Work-related injury insurance	1,977	35,519	35,596	1,900
Maternity insurance	434	26,311	26,393	352
IV. Housing provident funds	146,523	684,576	679,601	151,498
V. Labor union expenditures and employees' education expenses	615,986	130,215	99,309	646,892
Total	1,818,831	6,407,020	6,275,030	1,950,821

(3) Defined contribution plan

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
1. Basic retirement insurance	125,988	1,036,605	1,019,411	143,182
2. Unemployment insurance	6,957	64,362	64,681	6,638
3. Supplementary pension	65,787	221,430	222,818	64,399
Total	198,732	1,322,397	1,306,910	214,219

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

The Group made deposits amounting to RMB1,322,397,000 (for the period ended 30 June 2015: RMB1,282,622,000) to the defined contribution plan for the current period. As at 30 June 2016, there was a payable amount of RMB214,219,000 (as at 31 December 2015: RMB198,732,000).

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

31. Taxes payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Value added tax	959,191	(297,753)
Consumption tax	12,261	2,755
Business tax	(332,867)	4,052,946
Enterprise income tax	1,045,493	1,498,931
Individual income tax	77,964	372,045
City maintenance and construction tax	73,708	322,098
Education surcharges	46,994	215,457
Land appreciation tax	(38,322)	(285,660)
Others	123,729	177,022
Total	1,968,151	6,057,841

32. Interests payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Interests payable on long-term borrowings	77,990	144,979
Interests payable on corporate bonds	634,472	415,063
Interests payable on short-term borrowings	185,174	152,907
Others	55,282	39,171
Total	952,918	752,120

As at 30 June 2016, the Group did not have any significant overdue interest.

33. Dividends payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Dividend declared on perpetual bonds classified as equity instrument (Note VII50(c))	134,319	170,010
Other dividends	624,920	621,048
Total	759,239	791,058

Dividends aged over one year but not settled yet is RMB540,396,000, relevant subsidiaries are negotiating with the relevant shareholders for the settlement plan.

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

34. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Guarantees and deposits payable	10,429,791	9,756,335
Rental payable	345,626	282,112
Utilities payable	234,942	360,265
Repair and maintenance payable	398,649	266,398
Payables for land use rights	9,408	9,413
Others	8,675,137	5,619,927
Total	20,093,553	16,294,450

(2) Significant other payables aged over one year

All amounts in RMB'000

Items	Relationship with the Group	Closing balance	Reasons
Party 1	Third Party	2,415,000	The settlement dates were not yet due
Party 2	Third Party	235,869	
Party 3	Third Party	210,222	
Party 4	Third Party	136,691	
Party 5	Third Party	106,047	
Total	/	3,103,829	/

35. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note VII37)	7,097,008	9,429,394
Bonds payable due within one year (Note VII38)	8,057,754	3,259,437
Long-term payables due within one year (Note VII39)	196,520	261,926
Long-term employee benefits payable due within one year (Note VII40)	368,824	445,845
Special payables due within one year (Note VII41)	8,768	230
Total	15,728,874	13,396,832

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

36. Other current liabilities

All amounts in RMB'000

Items	Closing balance	Opening balance
Short term bonds (a)	11,000,000	20,000,000
Deferred income to be released to income statement within one year (Note VII43)	96,315	113,097
Total	11,096,315	20,113,097

(a) Movements of the short term bonds

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	Opening balance	Issued in the current period	Accrued interests at face value	Premium and discount amortization	Repaid in the current period	Closing balance
Short-term Debentures (i)	4,000,000	2015-09-21	366	4,000,000	4,000,000	-	71,009	-	-	4,000,000
Short-term Debentures (ii)	4,000,000	2015-11-11	366	4,000,000	4,000,000	-	71,606	-	-	4,000,000
Extra Short-term Debentures	3,000,000	2015-05-11	270	3,000,000	3,000,000	-	11,827	-	3,000,000	-
Extra Short-term Debentures	4,000,000	2015-08-10	270	4,000,000	4,000,000	-	45,114	-	4,000,000	-
Extra Short-term Debentures	2,000,000	2015-09-15	270	2,000,000	2,000,000	-	31,366	-	2,000,000	-
Extra Short-term Debentures (iii)	3,000,000	2015-10-27	270	3,000,000	3,000,000	-	48,483	-	-	3,000,000
Total	20,000,000	/	/	20,000,000	20,000,000	-	279,405	-	9,000,000	11,000,000

- (i) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2015]CP282) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Short-term Debentures on 21 September 2015 at face value of RMB4,000 million, with a term of 366 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.57% per annum. Principal and interests are paid upon maturity date.
- (ii) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2015]CP281) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Short-term Debentures on 11 November 2015 at face value of RMB4,000 million, with a term of 366 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.60% per annum. Principal and interests are paid upon maturity date.
- (iii) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2014]SCP59) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche VI Extra Short-term Debentures on 27 October 2015 at face value of RMB3,000 million, with a term of 270 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 3.25% per annum. Principal and interests are paid upon maturity date.

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

37. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	Closing balance	Opening balance
Pledge loans (a)	963,081	846,138
Mortgage loans (b)	5,316,720	6,841,177
Credit loans	24,504,974	21,002,010
Total	30,784,775	28,689,325
Less: Long-term borrowings due within one year (Note VII35)	7,097,008	9,429,394
Including: Pledge loans	478,572	596,812
Mortgage loans	385,064	494,451
Credit loans	6,233,372	8,338,131
Long-term borrowings due over one year	23,687,767	19,259,931

(a) Pledge loans

As at 30 June 2016, borrowings of RMB963,081,000 (as at 31 December 2015: RMB846,138,000) were secured by the pledge of the Group's accounts receivable in amount of RMB1,194,501,000 (as at 31 December 2015: RMB1,096,138,000).

(b) Mortgage loans

As at 30 June 2016, borrowings of RMB5,316,720,000 (as at 31 December 2015: RMB6,841,177,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB8,825,003,000 (as at 31 December 2015: RMB10,550,114,000).

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

All amounts in RMB'000

Maturity Date	Closing balance	Opening balance
1 to 2 years	5,086,931	6,684,505
2 to 5 years	15,428,644	8,635,119
Over 5 years	3,172,192	3,940,307
Total	23,687,767	19,259,931

(3) As at 30 June 2016, the weighted average interest rate of long-term borrowings was 4.82% per annum (as at 31 December 2015: 5.07% per annum).

(4) As at 30 June 2016, the Group did not have any significant overdue long-term borrowings.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Corporate debentures	6,704,000	3,204,000
USD debentures	9,874,455	9,656,167
SGD debentures	1,474,025	1,371,756
Total	18,052,480	14,231,923
Including: Bonds payable due within one year (Note VII35)	8,057,754	3,259,437
Bonds payable due over one year	9,994,726	10,972,486

(2) Movements of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	Opening balance	Issued in the current period	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current period	Closing balance
Corporate											
Debentures (a)	3,500,000	2008-07-23	10 years	3,500,000	2,704,000	-	82,779	-	-	-	2,704,000
USD debentures (b)	3,322,100	2011-07-29	5 years	3,188,432	3,259,437	-	83,804	69,068	3,959	-	3,332,464
USD debentures (c)	3,076,850	2014-06-16	3 years	2,953,930	3,179,282	-	44,001	67,369	4,614	-	3,251,265
USD debentures (d)	3,081,900	2014-08-28	3 years	3,050,434	3,217,448	-	60,009	68,178	5,100	-	3,290,726
Corporate Debentures											
- SGD (e)	1,367,400	2015-05-21	2 years	1,361,151	1,371,756	-	22,008	100,590	1,679	-	1,474,025
Corporate											
Debentures (f)	500,000	2015-12-24	5 years	500,000	500,000	-	12,639	-	-	-	500,000
Corporate Debentures											
(g)	3,500,000	2016-03-03	3 years	3,500,000	-	3,500,000	53,569	-	-	-	3,500,000
Total	18,348,250	/	/	18,053,947	14,231,923	3,500,000	358,809	305,205	15,352	-	18,052,480

- (a) As approved by the National Development and Reform Commission, the Company issued corporate debentures in July 2008 at face value of RMB3,500,000,000, with a term of ten years from issuance and interest rate of 6.10% per annum. The Company has the right to increase the coupon rate by 0 to 100 basis points at the end of the fifth year for the duration of the corporate debentures. Investors shall be entitled to be registered according to the implementation of bonds sold back measures of the registration period, either sell back all or part of the bonds to the company or keep holding the bonds. On 24 July 2013, the Company redeemed bonds amounting to RMB796,000,000 from the bondholders.
- (b) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 29 July 2011 at a discounted price of USD497,025,000 with a face value of USD500,000,000, a term of five years from issuance. The debentures bear interests at a fixed rate of 4.875% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the holding company of the Company, China Metallurgical Group Corporation.

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

38. Bonds payable (Continued)

(2) Movements of bonds payable (Continued)

- (c) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 16 June 2014 at a discounted price of USD480,025,000, with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.625% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the Bank of China, London Branch.
- (d) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 28 August 2014 at a discounted price of USD494,895,000, with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.500% per annum. Interest will be paid every quarter and principal will be paid upon maturity date. The debentures are guaranteed by headquarter of Agricultural Bank of China.
- (e) China Jingye Engineering Corporation Ltd. (Singapore Branch), a subsidiary of Central Research Institute of Building and Construction Co., Ltd., MCC Group, issued SGD debentures on 21 May 2015 at a discounted price of SGD299,709,000 with a face value of SGD300,000,000, a term of two years from issuance. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and the principal will be paid upon maturity date of the debentures. The debentures are guaranteed by the holding company of the Company, China Metallurgical Group Corporation.
- (f) MCC Real Estate Group Co., Ltd. issued private corporate debentures on 24 December 2015 at face value of RMB500,000,000, with a term of five years from issuance and interest rate of 5% per annum. The issuer has the right to adjust the interest rate while the bond holders can exercise their sold back rights at the end of each year for the duration of the private corporate debentures.
- (g) MCC Real Estate Group Co., Ltd. issued private corporate debentures on 3 March 2016 at face value of RMB3,500,000,000, with a term of three years from issuance and interest rate of 4.75% per annum. The issuer has the right to adjust the interest rate while the bond holders can exercise their sold back rights at the end of second year for the duration of the private corporate debentures.

39. Long-term payables

(1) Long-term payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Finance lease payables	646,915	710,812
Housing maintenance fee payables	42,504	42,223
Funds payable	215	215
Others	399,053	400,913
Total	1,088,687	1,154,163
Including: Long-term payables due within one year (Note VII/35)	196,520	261,926
Long-term payables due over one year	892,167	892,237

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

39. Long-term payables (Continued)

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

All amounts in RMB'000

Maturity Date	Closing balance	Opening balance
1 to 2 years	541,551	579,161
2 to 5 years	330,967	293,260
Over 5 years	19,649	19,816
Total	892,167	892,237

(3) Details of finance lease payables

All amounts in RMB'000

	Closing balance	Opening balance
The first year after balance sheet	227,367	218,342
The second year after balance sheet	256,017	286,748
The third year after balance sheet	221,338	258,004
Subsequent years	57,548	80,531
Minimum lease payments	762,270	843,625
Less: Unrecognized finance costs	115,355	132,813
Finance lease payables	646,915	710,812
Including: Amount due for settlement within one year	196,036	182,782
Amount due for settlement after one year	450,879	528,030

40. Long-term employee benefits payable

(1) Long-term employee benefits payable

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Post-employment benefits -Net liability arising from defined benefit plan	4,242,704	4,428,459
Total	4,242,704	4,428,459
Including: Long-term employee benefits payable due within one year (Note VII35)	368,824	445,845
Long-term employee benefits payable due over one year	3,873,880	3,982,614

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

40. Long-term employee benefits payable (Continued)

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

(a) Movements in the defined benefit plan

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I Opening balance	4,428,459	4,379,117
II Defined benefit costs recognized in profit or loss	61,851	69,894
1. Net interest expense	61,851	69,894
III Defined benefit costs recognized in other comprehensive income	(1,216)	130,228
1. Actuarial losses(gains)	(1,216)	130,228
IV Other movements	(246,390)	(266,787)
1. Benefits paid	(246,390)	(266,787)
V Closing balance	4,242,704	4,312,452

(b) Defined benefit plan was for the staff retired before 31 December 2007. The retirement benefits received are depended on the retirement position, seniority and salary of the staff etc. The Group's supplementary-retirement benefits obligation at the balance sheet date was calculated by an external independent actuary "Towers Watson" using projected unit credit actuarial cost method.

(c) Defined benefits plan exposes the Group in various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The increase of the life expectancy will increase the defined benefit plan obligations.

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

	2016.06.30	2015.12.31
Discount rate	2.90%	2.90%
Mortality rate	CLA 2000-03 up 2	CLA 2000-03 up 2
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

41. Special payables

All amounts in RMB'000

(Continued)

Items	Opening balance	Increase	Decrease	Closing balance
Housing allowance payables	607	—	—	607
Special housing maintenance fee payables	47	63	15	95
Special demolition compensation payables	7,707	8,612	—	16,319
Others	6,850	19,352	3,085	23,117
Total	15,211	28,027	3,100	40,138
Including: Special payables due within one year (Note VII35)	230	/	/	8,768
Special payables due over one year	14,981	/	/	31,370

42. Provisions

All amounts in RMB'000

Items	Closing balance	Opening balance	Reasons
Pending litigations	22,310	16,650	Because of the verdict of losing a lawsuit, the group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	775	672	Because of the sales contract, the group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	187,530	184,154	Because of the resource development contract, the group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Others	28,072	31,168	Others.
Total	238,687	232,644	/

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Deferred income

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance	Reasons
Government grants (a)	1,325,819	67,706	132,338	1,261,187	The government grants related to assets mainly including the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly including research subsidies.
Others	240,251	950	25,609	215,592	Others
Total	1,566,070	68,656	157,947	1,476,779	/
Including: Deferred income to be released to profit and loss within one year (Note VII36)	113,097	/	/	96,315	/
Deferred income to be released to profit and loss over one year	1,452,973	/	/	1,380,464	/

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

43. Deferred income (Continued)

(a) Deferred income relating to government grants

All amounts in RMB'000

Government grants	Opening balance	Increased in the current period	Recognized in non-operating income in the current period	Other decreases	Closing balance	Related to assets or incomes
Subsidy for rural reconstruction in Chongqing Dadukou district	176,807	–	2,484	–	174,323	Related to assets
The return of land leasing in Chongqing Dadukou district	107,303	–	1,431	–	105,872	Related to assets
Allowance from the bureau of finance	70,400	–	1,600	–	68,800	Related to assets
R&D of technology and equipment of large gas purification (large-scaling of gas purification facilities)	67,375	–	7,977	–	59,398	Related to assets
NDRC (Large-scale industry base construction of multiform stamp forgings)	58,493	–	10	–	58,483	Related to assets
Subsidy for redevelopment project in Chongqing Jiulongpo district	58,443	–	1,340	–	57,103	Related to assets
Shuangbei tunnel state-owned land on the housing levy project	52,473	–	–	–	52,473	Related to assets
Financial support for the new industrial park	55,594	–	4,794	–	50,800	Related to assets
NDRC/MIIT(2013 second central budget allocations about Industrial revitalization and technological transformation projects)	50,250	–	–	–	50,250	Related to assets
Large-scale multiple stamp work heavy equipment independent industrial base	20,000	–	–	–	20,000	Related to assets
Others	608,681	67,706	95,994	16,708	563,685	Related to assets or incomes
Total	1,325,819	67,706	115,630	16,708	1,261,187	/

44. Share capital

All amounts in RMB'000

	Movements during the current period						Closing balance
	Opening balance	Issue of new shares	Bonus issue	Shares converted from capital reserve	Others	Subtotal	
Total shares	19,110,000	–	–	–	–	–	19,110,000

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Other equity instruments

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

By the approval of the National Association of Financial Market Institutional Investors, the Company issued three tranches of medium term notes of 2015. Details of the issuance are as follows:

Tranches	First tranche of 2015	Second tranche of 2015	Third tranche of 2015
Approval document number	Zhongshixiezhushu [2015] MTN164	Zhongshixiezhushu [2015] MTN677	Zhongshixiezhushu [2015] MTN681
Issue date	1 June 2015	22 December 2015	24 December 2015
Issue amount	RMB5,000,000,000	RMB2,500,000,000	RMB2,500,000,000
Term	The notes are on a long-term basis until redemption by the Company according to the issuance provisions.	The notes are on a long-term basis until redemption by the Company according to the issuance provisions.	The notes are on a long-term basis until redemption by the Company according to the issuance provisions.
Redemption rights	On or after the fifth interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).	On or after the third interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).	On or after the third interest payment date, the Company has the right to redeem the current medium-term notes at par plus accrued interest (including any deferred interest payments).
Interest rate	The coupon is 5.70% for the first five interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every five years from the sixth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.	The coupon is 4.38% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the forth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.	The coupon is 4.33% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the forth interest accrual year, which is determined by the current benchmark interest rate plus the initial difference of the interest rate and 300 basis points.

Unless mandatory interest payment event happens, at each of the interest payment date of medium-term notes, the Company can choose to have the current interest and all the deferred interest to be paid at the next interest payment date, which is not subject to any restrictions on the number of deferred interest payments. The foregoing deferred interest payment does not make the Company fail to pay the interest in full according to the contract. Each piece of deferred interest is interest bearing at the coupon rate of the medium-term notes during the interest deferral period.

Within 12 months before the interest payment day, if the following events occur, the interest payments, both current and deferred, cannot be deferred by Company:

- (i) Dividend declared to the holders of ordinary shares;
- (ii) Any form of payment to the securities which are subordinated to the payment order of the medium-term notes;
- (iii) Reduction of registered capital.

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

45. Other equity instruments (Continued)

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

All amounts in RMB'000

Name of financial instrument	Opening balance		Increase		Decrease		Closing balance	
	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount	Number	Carrying amount
	(ten thousand)	(ten thousand)			(ten thousand)		(ten thousand)	
First tranche of medium term notes of 2015	5,000	4,925,000	-	-	-	-	5,000	4,925,000
Second tranche of medium term notes of 2015	2,500	2,479,975	-	-	-	-	2,500	2,479,975
Third tranche of medium term notes of 2015	2,500	2,479,975	-	-	-	-	2,500	2,479,975
Total	10,000	9,884,950	-	-	-	-	10,000	9,884,950

The three tranches of medium term notes of 2015 were recognized as other equity instrument in full amount received of RMB10,000,000,000 deducted by the issuing costs of RMB115,050,000 totally.

46. Capital reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	17,947,320	-	-	17,947,320
Other capital reserve (Note IX2)	(70,630)	4,754	6,952	(72,828)
Total	17,876,690	4,754	6,952	17,874,492

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

47. Other comprehensive income

All amounts in RMB'000

Items	Opening balance	Other comprehensive income before tax for the period	Movements during the current period				Closing balance
			Less: Amount included in other comprehensive income in the prior years that is transferred to profit or loss for current period	Less: Income tax expenses	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	
1. Other comprehensive income that will not be reclassified to profit or loss subsequently	42,506	1,216	–	25	1,554	(363)	44,060
Including: Remeasurement of defined benefit obligations	42,506	1,216	–	25	1,554	(363)	44,060
2. Other comprehensive income that may be reclassified subsequently to profit or loss:	149,814	(92,529)	3,705	(30,175)	(81,138)	15,079	68,676
Including: Net (loss) gain on revaluation of available-for-sale financial assets	246,275	(102,217)	3,705	(26,124)	(78,646)	(1,152)	167,629
Exchange differences on translating foreign operations	(96,461)	9,688	–	(4,051)	(2,492)	16,231	(98,953)
Total comprehensive income	192,320	(91,313)	3,705	(30,150)	(79,584)	14,716	112,736

48. Special reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Production safety fee	12,550	935,095	935,095	12,550
Total	12,550	935,095	935,095	12,550

49. Surplus reserve

All amounts in RMB'000

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve (a)	698,872	–	–	698,872
Total	698,872	–	–	698,872

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

50. Retained earnings

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Opening balance	12,782,248	9,275,519
Add: Net profit attributable to shareholders of the Company for the current period	2,415,926	2,172,265
Less: Declaration of dividends on ordinary shares (a)	1,051,050	955,500
Declaration of dividends on perpetual bonds (c)	249,309	—
Closing balance (b) (c)	13,897,815	10,492,284

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

(b) As at 30 June 2016, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB9,032,174,000 (as at 31 December 2015: RMB9,032,174,000).

(c) Dividends on perpetual bond amounted to RMB249,309,000 for the current period (for the period ended 30 June 2015: nil).

51. Operating revenue and operating costs

(1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	95,251,556	82,974,858	100,038,770	87,037,525
Other business	573,099	391,927	652,781	556,134
Total	95,824,655	83,366,785	100,691,551	87,593,659

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

51. Operating revenue and operating costs (Continued)

(2) Classified by industries

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Principal operating revenue	Principal operating costs	Principal operating revenue	Principal operating costs
Engineering contracting	80,154,316	71,642,263	84,128,524	73,836,584
Property development	9,506,652	6,245,753	9,898,119	7,730,414
Equipment manufacture	2,629,286	2,270,665	3,660,464	3,153,737
Resource development	1,785,330	1,813,710	1,236,246	1,350,941
Others	1,175,972	1,002,467	1,115,417	965,849
Total	95,251,556	82,974,858	100,038,770	87,037,525

(3) Classified by geographic locations

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Principal operating revenue	Principal operating costs	Principal operating revenue	Principal operating costs
China	89,489,651	77,291,680	95,305,368	82,486,744
Other countries/regions	5,761,905	5,683,178	4,733,402	4,550,781
Total	95,251,556	82,974,858	100,038,770	87,037,525

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

The total amount of operating revenue from the top five largest customers of the Group is RMB4,511,843,000 (for the period ended 30 June 2015: RMB11,745,677,000), accounting for 4.71 % of the total operating revenue of the Group (for the period ended 30 June 2015: 11.67%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group
		(%)
Party 1	1,256,196	1.31
Party 2	959,098	1.00
Party 3	858,538	0.90
Party 4	795,579	0.83
Party 5	642,432	0.67
Total	4,511,843	4.71

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

52. Business taxes and levies

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Business tax	1,114,808	2,145,412
City construction and maintenance tax	53,794	168,885
Education surcharges	28,488	131,410
Land appreciation tax	478,197	83,998
Others	52,732	87,247
Total	1,728,019	2,616,952

53. Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	8,541	1,608
Employee compensation costs	266,526	229,065
Depreciation expenses	7,352	6,837
Travelling expenses	66,234	64,661
Office expenses	50,720	89,773
Transportation expenses	60,446	69,636
Advertising and sales service expenses	219,217	93,258
Others	55,534	51,182
Total	734,570	606,020

54. Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,058,110	1,849,148
Depreciation expenses	316,597	316,483
Travelling expenses	124,785	121,731
Office expenses	259,573	271,160
Lease rentals	60,029	49,899
Research and development expenses	895,050	838,291
Repairs and maintenance expenses	78,967	42,626
Amortization of intangible assets	93,813	84,944
Consulting expenses	68,729	57,212
Tax charges	167,838	154,916
Others	237,665	281,142
Total	4,361,156	4,067,552

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

55. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	2,594,069	3,251,890
Less: Capitalized interests	(1,025,087)	(1,369,933)
Less: Interest income	(502,131)	(622,527)
Exchange (gains) losses	(120,869)	150,910
Bank charges	188,060	141,141
Others	153,898	215,915
Total	1,287,940	1,767,396

56. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
1. Bad debt provision	1,227,550	1,002,911
Including: Accounts receivable bad debts (Note VII4(3))	1,044,040	729,146
Other accounts receivable bad debts (Note VII8(3))	135,676	219,273
2. Impairment of inventories (Note VII9(2))	199,288	53,934
3. Impairment of fixed assets (Note VII17(8))	—	608
4. Impairment of goodwill (Note VII21(2))	547	—
5. Others	(4,230)	840
Total	1,423,155	1,058,293

57. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current period	Amount for the prior period
Gains arising on changes in fair value of financial assets designated as at FVTPL	(310)	12,633
Gains/(losses) arising on changes in fair value of derivative financial assets	—	9,060
Gains/(losses) arising on changes in fair value of derivative financial liabilities	6,659	—
Total	6,349	21,693

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

58. Investment income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Losses from long-term equity investments under equity method	(153,156)	(45,009)
Investment income on disposal of long-term equity investments	439,014	103,916
Investment income from holding financial assets at FVTPL	6,549	4,903
Investment income from holding available-for-sale financial assets	16,974	13,809
Investment income on disposal of available-for-sale financial assets	2,608	6,268
Others	699	39,976
Total	312,688	123,863

59. Non-operating income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Total gains on disposal of non-current assets	54,806	22,916	54,806
Including: Gains on disposal of fixed assets	43,850	22,784	43,850
Gains on disposal of intangible assets	6,195	—	6,195
Income from penalty	8,671	6,892	8,671
Gains on inventory taking	22	76	22
Government grants (a)	260,264	312,531	260,264
Approved unpayable balances	4,407	32,896	4,407
Others	59,768	46,919	59,768
Total	387,938	422,230	387,938

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

59. Non-operating income (Continued)

(a) Government grants recognized in profit or loss

All amounts in RMB'000

Government grants	Amount for the current period	Amount for the prior period	Related to assets or income
Compensation for Demolition of Buildings in Shuanggang Road	18,460	–	Related to income
The Rebate of VAT on Sewage Treatment Services	18,058	–	Related to income
Finance Government Allocation	17,840	25,070	Related to income
Government Subsidy by Luodian Government	15,000	48,550	Related to income
Tax Return by Baoshan Luodian Development Zone	8,406	8,335	Related to income
Subsidy for R&D of Technology and Equipment of Large Gas Purification (Large-scaling of Gas Purification Facilities)	7,977	2,576	Related to assets
The Refund of Tax on Yinmahu Project	7,051	–	Related to income
Subsidy for Company with No-layoffs Policy	6,764	–	Related to income
Tax Return for Luodian Fujin Development Zone	5,000	2,500	Related to income
Retired Personnel Funds from Ministry of Science and Technology	4,794	3,994	Related to assets
Others	150,914	221,506	Related to assets or income
Total	260,264	312,531	/

60. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Losses on disposal of non-current assets	10,680	13,247	10,680
Including: Losses on disposal of fixed assets	10,665	9,815	10,665
Losses on disposal of intangible assets	15	3,429	15
Non-recurring losses	2,155	4,228	2,155
Fines and surcharges for overdue payments	13,321	11,589	13,321
Compensation and default payments	6,116	3,570	6,116
Others	21,332	12,691	21,332
Total	53,604	45,325	53,604

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

61. Income tax expense

(1) Income tax expense

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Current period tax expense	1,084,000	1,211,697
Deferred tax expenses	(334,763)	(168,374)
Total	749,237	1,043,323

(2) Reconciliation of income tax expenses to the accounting profit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Total profit	3,576,401	3,504,140
Income tax expenses calculated at the statutory tax rate (25%)	894,100	876,035
Effect of difference between applicable tax rate and statutory tax rate	(225,209)	(167,476)
Income not subject to tax	(67,359)	(87,172)
Expenses not deductible for tax purposes	109,568	128,178
Utilization of previously unrecognized tax losses and other temporary differences for which no deferred income tax assets were recognized	(236,995)	(78,099)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	477,548	560,670
Others	(202,416)	(188,813)
Income tax expense	749,237	1,043,323

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

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which have been provided based on the statutory income tax rate of 25% on the assessable income of each of these companies during the current period as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate.

Taxation of overseas subsidiaries within the Group has been calculated on the estimated assessable profit of these subsidiaries for the current period at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

62. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	1,216	(130,228)
Less: Income tax effects on re-measurement of defined benefit obligations	25	422
Subtotal	1,191	(130,650)
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	(102,217)	127,975
Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current period	3,705	3,318
Less: Income tax effects on available-for-sale financial assets	(26,124)	30,257
Subtotal	(79,798)	94,400
2. Exchange differences on translating foreign operations	9,688	98,247
Less: Income tax effects on the exchange differences on translating foreign operations	(4,051)	(1,900)
Subtotal	13,739	100,147
Total	(64,868)	63,897

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 period	Amount for the prior period
Receipts of deposits and guarantee funds	673,456	192,433
Interest income	228,367	205,249
Recovery of receivables	207,437	239,796
Government grants received	298,110	215,805
Receipts of withholding payments	132,251	76,914
Others	66,367	88,057
Total	1,605,988	1,018,254

VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

63. Notes to items in the cash flow statements (Continued)

(2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Payments of deposits and guarantee funds	2,544,240	3,045,952
Research and development expenses	396,603	465,020
Payments for retirement benefits	246,390	266,787
Travelling expenses	191,019	186,392
Office expenses	310,293	321,645
Utility expenses	622,285	705,946
Repairment and maintenance expenses	78,967	44,656
Advertising and media services expenses	219,217	93,257
Settlements for payables	236,837	199,132
Conference expenses and association fees	5,859	7,177
Others	157,572	101,804
Total	5,009,282	5,437,768

(3) Other cash receipts relating to investing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Cash receipts on interest incomes of receivables and financial investments	114,876	35,204
Cash receipts from asset-related government grants	2,862	18,300
Total	117,738	53,504

(4) Other cash payments relating to investing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Providing loans to related parties and third parties	663,759	552,231
Total	663,759	552,231

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

63. Notes to items in the cash flow statements *(Continued)*

(5) Other cash receipts relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Reduction of restricted deposits	1,204,680	1,102,534
Total	1,204,680	1,102,534

(6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Settlements of finance lease obligations	81,355	47,665
Total	81,355	47,665

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 period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	2,827,164	2,460,817
Add: Provision for impairment losses of assets	1,423,155	1,058,293
Depreciation of fixed assets and amortization of investment properties	1,356,174	1,289,768
Amortization of intangible assets	177,780	169,127
Amortization of long-term prepayments	26,513	20,518
Gains on disposal of fixed assets, intangible assets and other long-term assets	(44,126)	(9,669)
Losses on written-off of fixed assets	–	83
Losses on changes in fair values	(6,349)	(21,693)
Financial expenses	1,333,237	2,133,663
Losses arising from investments (gains)	(283,021)	(123,863)
Increase in deferred tax assets	(350,023)	(179,808)
Increase in deferred tax liabilities	15,260	11,434
Increase in inventories	(8,891,990)	(17,018,427)
Increase in receivables from operating activities	(3,066,691)	(1,888,153)
Increase in payables from operating activities	2,633,548	8,044,321
Net cash flows from operating activities	(2,849,369)	(4,053,589)
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	30,727,789	24,450,822
Less: Opening balance of cash	28,736,378	28,571,177
Add: Closing balance of cash equivalents	–	–
Less: Opening balance of cash equivalents	–	–
Net increase (decrease) in cash and cash equivalents	1,991,411	(4,120,355)

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VII NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

(2) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	30,727,789	28,736,378
Including: Cash on hand	26,984	24,418
Bank deposits without restriction	27,794,700	26,671,366
Other monetary funds without restriction	2,906,105	2,040,594
II. Cash equivalents	—	—
III. Closing balance of cash and cash equivalents	30,727,789	28,736,378
Including: Cash and cash equivalents of the Company or within the Group with restriction	—	—

65. Assets with title restrictions

All amounts in RMB'000

Items	Closing book value	Reasons
Cash and bank balances	3,789,648	Pledge/Freeze/Control
Bills receivable	138,878	Pledge
Bills receivable	361,117	Endorsed or discounted
Accounts receivable	1,394,501	Pledge
Inventories	7,914,705	Mortgage
Investment properties	616,531	Mortgage
Fixed assets	616,454	Mortgage
Fixed assets	211,371	Others-Freeze
Intangible assets	102,005	Mortgage
Intangible assets	281,952	Others-Freeze
Total	15,427,162	/

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 the end of the period	Exchange rate	RMB at the end of the period
Cash and bank balances	4,176,624		4,176,624
Including: USD	495,987	6.6312	3,288,992
EUR	4,580	7.3750	33,779
AUD	52,160	4.9452	257,941
HKD	2,421	0.8547	2,069
RMB	54,783	1.0000	54,783
Others	/	/	539,060
Accounts receivable	1,337,564		1,337,564
Including: USD	123,308	6.6312	817,683
EUR	330	7.3750	2,434
AUD	1,000	4.9452	4,945
RMB	61,403	1.0000	61,403
Others	/	/	451,099
Other receivables	1,682,789		1,682,789
Including: USD	147,374	6.6312	977,268
AUD	129,084	4.9452	638,346
RMB	23,179	1.0000	23,179
Others	/	/	43,996
Short-term borrowings	1,561,120		1,561,120
Including: USD	180,228	6.6312	1,195,125
AUD	323	7.3750	2,381
Others	/	/	363,614
Accounts payable	614,762		614,762
Including: USD	28,439	6.6312	188,586
EUR	2,547	7.3750	18,783
AUD	861	4.9452	4,258
RMB	179,704	1.0000	179,704
Others	/	/	223,431
Other payables	7,955,039		7,955,039
Including: USD	87,628	6.6312	581,076
AUD	39,096	4.9452	193,339
RMB	6,934,092	1.0000	6,934,092
Others	/	/	246,532
Long-term borrowings	2,701,591		2,701,591
Including: USD	404,218	6.6312	2,680,451
Others	/	/	21,140

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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	
China Jingye Engineering Corporation Ltd. (Singapore Branch)	Singapore	Singapore Dollar	

The functional currencies of the Group's major foreign operations have not changed during the reporting period.

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
Tangshan Caofeidian Real Estate Co., Ltd.	49,645	60.00	Negotiating transfer	2016-06-22	Actual date of losing control	29,667	-	-	-	-	Not Applicable	-

The Group achieved gains of RMB29,667,000 arising on losing control of above companies, which was presented in investment income in the consolidated financial statements (Note VII58).

2. Other reasons of the change for scope of consolidation

Except for above disposal of subsidiaries, there were no significant changes of the scope of consolidation for the current period compared with prior period.

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	
Anshan Coking and Refractory Engineering Consulting Corporation	China	Anshan	Design, service	100.00	–	Invested by shareholders
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	86.83	–	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	90.76	–	Invested by shareholders
Anshan Engineering & Research Incorporation of Metallurgical Industry	China	Anshan	Design, service	100.00	–	Invested by shareholders
China MCC 3 Group Co., Ltd.	China	Anshan	Engineering contracting	100.00	–	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	China	Shenyang	Investigation, design	100.00	–	Invested by shareholders
MCC Overseas Ltd.	China	Beijing	Engineering contracting	100.00	–	Invested by shareholders
MCC Communication Construction Group Co., Ltd. (Original name: MCC Communication Engineering Technology Co., Ltd.)	China	Beijing	Infrastructure contractor	100.00	–	Invested by shareholders
MCC International Incorporation Ltd.	China	Beijing	Engineering contracting	100.00	–	Invested by shareholders
Ramu NiCo Management (MCC) Limited	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	–	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	13.56	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	–	Invested by shareholders
MCC-JJJ Mining Development Company Limited	China	Beijing	Resource development	67.02	–	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	87.00	–	Invested by shareholders
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	China	Beijing	Design, service	100.00	–	Invested by shareholders
MCC Real Estate Group Co., Ltd.	China	Beijing	Property development	100.00	–	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Engineering contracting	100.00	–	Invested by shareholders

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IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Details of subsidiaries of the Group: (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC 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
BERIS Group Corporation	China	Baotou	Design, service	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., MCC Group	China	Beijing	EPC	100.00	–	Invested by shareholders
China Huaye Group Co., Ltd.	China	Beijing	Engineering contracting	100.00	–	Invested by shareholders
Beijing MCC Equipment Research & Design Corporation Ltd.	China	Beijing	EPC	100.00	–	Invested by shareholders
CISDI Group Co., Ltd.	China	Chongqing	Design, service	100.00	–	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Engineering contracting	98.58	–	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Engineering contracting	100.00	–	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Engineering contracting	100.00	–	Invested by shareholders
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	China	Wuzhou	Infrastructure investment	100.00	–	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Engineering contracting	69.00	–	Invested by shareholders
Shanghai Baoye Group Corp., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Maanshan	EPC	85.10	–	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Maanshan	Engineering contracting	72.39	–	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.34	Invested by shareholders

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	
Wuhan Iron and Steel Design & Research Incorporation Limited	China	Wuhan	Design, service	100.00	–	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	82.56	–	Invested by shareholders
China First Metallurgical Group Co., Ltd.	China	Wuhan	Engineering contracting	93.07	–	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	92.61	–	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	China	Wuhan	Investigation, design	100.00	–	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	China	Xi'an	Metallurgy equipment manufacture	71.47	–	Invested by shareholders
MCC Mining (Western Australia) Pty Ltd.	Australia	Australia	Resource development	100.00	–	Invested by shareholders
MCC Australia Holding Pty Ltd.	Australia	Australia	Resource development	100.00	–	Invested by shareholders
MCC Holding (Hong Kong) Corporation Limited	China	Hong Kong	Others	100.00	–	Established through investments
MCC Financial Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Northeast Construction & Development Co., Ltd.	China	Shenyang	Engineering contracting	100.00	–	Established through investments
Qianhai MCC (Shenzhen) International Trading Co., Ltd.	China	Shenzhen	Trading	75.00	25.00	Established through investments
MCC Hainan Investment & Development Co., Ltd.	China	Haikou	Engineering contracting	60.00	37.23	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	–	Established through investments

Note: Except for the Company, MCC Holding (Hong Kong) Corporation Limited, Central Research Institute of Building and Construction Co., Ltd., MCC Group 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.

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IX INTERESTS IN OTHER ENTITIES *(Continued)*

1. Interests in subsidiaries *(Continued)*

(1) *The constitution of the Group (Continued)*

- (a) There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.
- (b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights
- (i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao Jinze Huadi Real Estate Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.
Beijing Enfi Environmental Protection Co., Ltd.	49.15	The equity interest of other shareholders is scattered and of small proportion.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the articles of association, the Group can control the board of directors.
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.

- (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 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.
Sichuan Xinyejieda Air-conditioning Technology Co., Ltd.	60.00	Under liquidation procedure.
Beijing New Century Hotel Co., Ltd.	60.00	Each shareholder has a veto right, recognized as a joint venture (Note IX3(1)).
Guizhou Ziwang Highway Construction Co., Ltd.	59.92	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX3(1)).
Guizhou Sanli Highway Construction Co., Ltd.	59.90	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture (Note IX3(1)).
Guizhou Sanshi Highway Construction Co., Ltd.	59.80	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.

IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(2) Material non-controlling interests

All amounts in RMB'000

Company name	Proportion of equity interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests in the current period	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the period
China MCC 20 Group Co., Ltd.	31.00	343,334	292,380	1,596,760
China First Metallurgical Group Co., Ltd.	6.93	14,198	–	1,520,138
WISDRI Engineering & Research Incorporation Limited	17.44	52,686	–	1,377,874
MCC Capital Engineering & Research Incorporation Limited	13.00	13,427	–	847,320
China MCC 17 Group Co., Ltd.	27.61	59,068	–	798,692

(a) Except for the situation disclosed in Note IX1(1)(b), there is no significant difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.

(3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Company name	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
China MCC 20 Group Co., Ltd.	24,792,711	1,910,825	26,703,536	21,161,902	1,075,525	22,237,427	23,681,319	1,816,382	25,497,701	19,464,182	1,686,933	21,151,115
China First Metallurgical Group Co., Ltd.	16,697,942	2,891,724	19,589,666	13,793,289	1,733,510	15,526,799	16,198,023	2,732,895	18,930,918	13,595,104	1,393,164	14,988,268
WISDRI Engineering & Research Incorporation Limited	11,842,814	2,907,223	14,750,037	9,117,649	149,110	9,266,759	11,479,308	2,648,257	14,127,565	8,718,070	160,003	8,878,073
MCC Capital Engineering & Research Incorporation Limited	11,199,120	3,566,328	14,765,448	10,380,583	62,508	10,443,091	11,616,694	3,685,826	15,302,520	11,044,939	12,744	11,057,683
China MCC 17 Group Co., Ltd.	11,364,687	1,277,915	12,642,602	8,749,548	1,011,515	9,761,063	10,735,663	1,087,258	11,822,921	8,587,175	568,169	9,155,344

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IX INTERESTS IN OTHER ENTITIES (Continued)

1. Interests in subsidiaries (Continued)

(3) Summarized financial information of subsidiaries with material non-controlling interests (Continued)

All amounts in RMB'000

Company name	Amount for the current period				Amount for the prior period			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
China MCC 20 Group Co., Ltd.	9,831,046	394,232	411,903	(219,471)	15,180,022	225,376	204,396	(2,428,831)
China First Metallurgical Group Co., Ltd.	6,541,911	152,331	120,216	(796,458)	5,086,773	139,575	154,761	(689,306)
WISDRI Engineering & Research Incorporation Limited	3,761,183	233,785	233,786	644,378	4,009,281	215,259	215,256	876,668
MCC Capital Engineering & Research Incorporation Limited	2,808,431	77,519	77,519	(6,650)	3,303,138	46,307	46,273	(199,177)
China MCC 17 Group Co., Ltd.	6,550,930	213,893	213,961	(573,993)	6,271,476	185,296	183,523	(836,140)

2. Transactions causing the changes of the equity of the subsidiaries attributable to the owners of the Company but the control of the subsidiaries is still retained by the Group

For the current interim period, the Group increased capital contribution to Zhong Ye Chang Tian International Engineering Co., Ltd. with 100% long-term equity investment in a non-wholly owned subsidiary, Changsha Metallurgical Design & Research Institute Co., Ltd. This transaction is a disproportional capital increase. Hence, after the capital raise, the percentage of equity interest in Zhong Ye Chang Tian International Engineering Co., Ltd. by the Group increased from 91.66% to 92.61%. The transaction increased the Group's non-controlling interest of RMB2,198,000, and reduced the Group's capital surplus of RMB2,198,000.

IX INTERESTS IN OTHER ENTITIES *(Continued)*

3. Interests in joint ventures and associates

(1) Details of the Group's material joint ventures and associates

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		Accounting method
				Direct	Indirect	
Tianjin Zhongji Equipment Manufacture Co., Ltd.	China	Tianjin	Equipment manufacture and installation	50.00	–	Equity method
Beijing New Century Hotel Co., Ltd.	China	Beijing	Hotel service	60.00	–	Equity method
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.92	–	Equity method
Guizhou Sanli Highway Construction Co., Ltd.	China	Buyi and Miao Autonomous Prefecture of Qiannan	Highway investment and development	59.90	–	Equity method
Tianjin SERI Machinery Equipment China Corporation Ltd.		Tianjin	Manufacturing	50.00	–	Equity method
CERI Yingkou Equipment Technology Co., Ltd.	China	Yingkou	Equipment design and manufacture	48.96	–	Equity method
Nanjing Ming's Culture Co., Ltd.	China	Nanjing	Cultural communication	49.18	–	Equity method
Tianjin Tuanbo Urban Development Co., Ltd.	China	Tianjin	Property development	30.00	–	Equity method
Zhongshan Finance Investment Holdings Co., Ltd.	China	Zhongshan	Investment and asset management	20.00	–	Equity method
Baotou MCC Real Estate Co., Ltd.	China	Baotou	Property development	36.00	–	Equity method

The Group has no significant interests in any single joint venture or associate above.

IX INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Assigned director to the board of directors of the entity
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Assigned director to the board of directors of the entity
Nanjing MCC Zecheng Construction and Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Chongqing Beifei Shipping Infrastructure Construction Co., Ltd.	10.00	Significant transactions with the investee having influence on the investee's decision making on production and operation
Chongqing Wansheng Xihua Road Construction Co., Ltd.	5.00	Assigned director to the board of directors of the entity
Meizhou MCC Road Construction and Development Co., Ltd.	2.00	Assigned director to the board of directors of the entity
Meizhou MCC City Construction and Development Co., Ltd.	1.00	Assigned director to the board of directors of the entity

(ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Shanghai Xipu Transportation Co., Ltd.	40.00	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Tangshan Stainless Steel Co., Ltd.	23.89	
BERIS Engineering And Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Harbin Shuangqi Environmental Resources Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	

IX INTERESTS IN OTHER ENTITIES (Continued)

3. Interests in joint ventures and associates (Continued)

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	Closing balance/ amount recognized in the current period	Opening balance/ amount recognized in the prior period
Joint ventures:		
Total carrying amount	953,753	619,058
The Group's share of the following items:		
– Net profit	(32,967)	(17,669)
– Other comprehensive income	–	–
– Total comprehensive income	(32,967)	(17,669)
Associates:		
Total carrying amount	3,342,799	3,295,967
The Group's share of the following items:		
– Net profit	(120,189)	(40,501)
– Other comprehensive income	–	–
– Total comprehensive income	(120,189)	(40,501)

(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, short-term bonds payable and finance lease payables) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

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X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

1. Capital management *(Continued)*

The gearing ratios as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016	31 December 2015
Total borrowings:		
Short-term borrowings <i>(Note VII25)</i>	49,046,355	36,798,152
Short-term bonds payable <i>(Note VII36)</i>	11,000,000	20,000,000
Long-term borrowings (inclusive of those due within one year) <i>(Note VII37)</i>	30,784,775	28,689,325
Bonds payable (inclusive of those due within one year) <i>(Note VII38)</i>	18,052,480	14,231,923
Finance lease payables (inclusive of those due within one year) <i>(Note VII39)</i>	646,915	710,812
Less: Cash and cash equivalents <i>(Note VII64(2))</i>	30,727,789	28,736,378
Net debt	78,802,736	71,693,834
Shareholders' equity	72,288,992	71,155,024
Total capital	151,091,728	142,848,858
The gearing ratio	52.16%	50.19%

2. Financial instruments and risk management

The Group's operating activities expose to a variety of financial risks: market risk (mainly including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

(1) Market risk

(a) Foreign exchange risks

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 30 June 2016 are set out in Note VII66.

As at 30 June 2016, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group the period ended 30 June 2016 would have been approximately RMB352,510,000 lower/higher (as at 31 December 2015: RMB185,197,000 lower/higher).

X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(1) Market risk *(Continued)*

(b) Interest rate risk

- (i) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI6.
- (ii) The interest bearing debts at floating rates expose the Group to cash flow interest-rate risk. The Group chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. As at 30 June 2016, short-term borrowings of the Group were amounting to RMB49,046,355,000 (as at 31 December 2015: RMB36,798,152,000). Long-term interest bearing debts at floating rates due within one year were amounting to RMB5,848,304,000 (as at 31 December 2015: RMB5,787,492,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB16,158,721,000 (as at 31 December 2015: RMB16,674,007,000). Long-term interest bearing debts at fixed rates due within one year were amounting to RMB9,306,458,000 (as at 31 December 2015: RMB6,980,319,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB17,902,752,000 (as at 31 December 2015: RMB13,858,410,000) (Notes VII25, 35, 37, 38, 39).

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowings and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. For the current reporting period and the period ended 30 June 2015, the Group has not involved in any interest rate swap arrangements.

During the current period, if the respective interest rates on RMB-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the current period would have been RMB214,007,000 lower/higher (for the period ended 30 June 2015: approximately RMB172,279,000).

During the current period, if the interest rates on USD and other currency-denominated floating-rate borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the current period would have been RMB42,869,000 lower/higher (for the period ended 30 June 2015: approximately RMB22,435,000).

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X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(2) Credit risk

The Group classifies and manages the credit risk based on portfolios. The Group's credit risk primarily related to the Group's cash and bank balances, accounts receivable, other receivables, bills receivable and long-term receivables, etc.

A majority of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group hold the view that there is no significant credit risk and no significant impact on the operating results of the Group due to failure to discharge an obligation by the counterparties.

The Group has policies in place to control the credit risk of accounts receivables, other receivables, bills receivable and long-term receivables. The Group also has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

(3) Liquidity risk

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

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 30 June 2016 were as follows:

All amounts in RMB'000

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets					
Cash and bank balances	34,517,437	—	—	—	34,517,437
Bills receivable	12,286,836	—	—	—	12,286,836
Accounts receivable	65,829,640	—	—	—	65,829,640
Interests receivable	26,326	—	—	—	26,326
Dividends receivable	48,057	—	—	—	48,057
Other receivables	31,377,913	—	—	—	31,377,913
Non-current assets within a year	6,558,559	—	—	—	6,558,559
Held-to-maturity investments	—	—	20	—	20
Long-term receivables	93,623	2,138,381	2,693,778	3,266,670	8,192,452
Total	150,738,391	2,138,381	2,693,798	3,266,670	158,837,240

X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

(3) Liquidity risk *(Continued)*

Items	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities					
Short-term borrowings	50,214,503	—	—	—	50,214,503
Derivative financial liabilities	5,309	2,371	—	—	7,680
Bills payable	14,494,558	—	—	—	14,494,558
Accounts payable	97,877,462	—	—	—	97,877,462
Employee benefits payable	2,205,599	—	—	—	2,205,599
Interests payable	952,918	—	—	—	952,918
Dividends payable	759,239	—	—	—	759,239
Other payables	20,093,553	—	—	—	20,093,553
Other current liabilities	11,093,196	—	—	—	11,093,196
Non-current liabilities within a year	15,873,994	—	—	—	15,873,994
Long-term borrowings	1,115,520	6,110,958	16,492,648	4,701,991	28,421,117
Bonds payable	472,240	3,735,040	6,888,109	—	11,095,389
Long-term payables	22,235	565,095	449,511	19,650	1,056,491
External guarantee (excluding real estate bank mortgage guarantee)	302,600	—	—	—	302,600
Total	215,482,926	10,413,464	23,830,268	4,721,641	254,448,299

(4) Transfer of financial assets

As at 30 June 2016, the Group endorsed bills receivables amounting to RMB3,404,128,000 (as at 31 December 2015: RMB3,339,154,000) to its suppliers for settlements of payables to these suppliers. The Group also discounted bills receivable amounting to RMB1,352,597,000 (as at 31 December 2015: RMB1,195,672,000) to banks for the purpose of obtaining funding. As the Group is of the view that substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred to suppliers and banks, the Group derecognized these bills receivable from the financial statements. 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. Should the parties issuing these bills be unable to honor these bills upon maturity, according to the prevailing rules and regulations in the PRC, the Group should bear joint liability. As at 30 June 2016, should the issuers of the bills be unable to honor the aforesaid bills upon maturity, the maximum exposure of the Group is the total amount of the bills endorsed to suppliers or discounted to banks. The maturity dates of all endorsed bills and discounted bills are within six months from the end of the reporting period.

As at 30 June 2016, the Group endorsed bills receivable amounting to RMB10,500,000 (as at 31 December 2015: RMB46,460,000) to its suppliers for settlements of payables to these suppliers. The Group also discounted bills receivable amounting to RMB350,617,000 (as at 31 December 2015: RMB632,989,000) to banks for the purpose of obtaining funding. As 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 further recognized the endorsed and discounted bills receivable and related discharged accounts payable. After the bills were endorsed or discounted, the Group did not retain any rights to the use of such bills, including the sale, transfer or mortgage of such bills to any third party.

Financial Report

X CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(Continued)*

2. Financial instruments and risk management *(Continued)*

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

As at 31 December 2015, the Group had transferred accounts receivable of RMB2,655,058,000 and long-term receivables of RMB8,422,562,000 to financial institutions, including banks, for the purpose of obtaining funding. As the Group is of the view that substantially all of the risks and rewards of ownership of the above accounts receivable and long-term receivables have been transferred to those financial institutions, the Group derecognized these accounts receivable and long-term receivables from the financial statements.

The Group had signed service contracts with financial assets transferee to provide related collection services regarding long-term receivables transferred and derecognized in prior periods giving rise to continuing involvement with the derecognized financial assets. As at 30 June 2016, the above transferred long-term receivables amounted to RMB3,200,000,000. The Group considers that the fair value of above continuing involvement with the derecognized financial assets is not significant.

XI FAIR VALUE MEASUREMENTS

1. Fair value of the Group's financial assets and financial liabilities that are continuously measured at fair value at the end of the period

All amounts in RMB'000

Items	Fair value at the end of the period			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss	845	–	–	845
1. Held-for-trading financial assets	845	–	–	845
(1) Equity instruments	845	–	–	845
(II) Available-for-sale financial assets	374,252	429,750	–	804,002
(1) Equity instruments	374,252	–	–	374,252
(2) Others	–	429,750	–	429,750
Total assets that are measured at fair value on a recurring basis	375,097	429,750	–	804,847
(III) Derivative financial liabilities	–	7,680	–	7,680
Total liabilities that are measured at fair value on a recurring basis	–	7,680	–	7,680

2. The basis of market prices determined on level 1 of the fair value hierarchy

The fair values of currency funds and equity instruments are based on their prices of publicly traded market on the last trading day of the reporting period.

XI FAIR VALUE MEASUREMENTS *(Continued)*

3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

	Valuation techniques	Key inputs
Derivative financial liabilities – forward contracts	Discounted cash flow	Forward rate
Available-for-sale financial assets – trust products	Discounted cash flow	Average yield rate of similar products of the same term
Available-for-sale financial assets – non-listed funds	Discounted cash flow	Average yield rate of similar products of the same term

4. There was no transfer between any levels of the fair value hierarchy in the reporting period.

5. There was no change in the valuation techniques in the reporting period.

6. Fair value of financial assets and financial liabilities that are not continuously measured at fair value

Receivables, long-term receivables, held-to-maturity investments, non-current assets due within one year, short-term borrowings, payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are not continuously measured at fair value.

The Group considers that the fair value of its unlisted equity investments in available-for-sale financial assets cannot be measured reliably since the range of reasonable fair value estimates is so significant and the probability of each fair value estimate cannot be assessed reliably. Therefore the Group measures the investments at cost less impairment method.

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XI FAIR VALUE MEASUREMENTS *(Continued)*

6. Fair value of financial assets and financial liabilities that are not continuously measured at fair value *(Continued)*

Except for the items listed in the table below, the Group considers that the fair values of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Carrying amount as at 30 June 2016	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	Total
Financial liabilities measured at amortized cost:					
1. Long-term borrowings at fixed interest rate	17,902,752	–	18,396,691	–	18,396,691
2. Bonds payable at fixed interest rate	7,908,026	–	8,117,720	–	8,117,720
	9,994,726	–	10,278,971	–	10,278,971

All amounts in RMB'000

	Carrying amount as at 31 December 2015	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	Total
Financial liabilities measured at amortized cost:					
1. Long-term borrowings at fixed interest rate	13,858,410	–	14,395,892	–	14,395,892
2. Bonds payable at fixed interest rate	2,885,924	–	2,931,009	–	2,931,009
	10,972,486	–	11,464,883	–	11,464,883

Quantitative information determined in accordance with the level 2:

	Valuation techniques	Key inputs
Long-term borrowings at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China
Bonds payable at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China

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	64.18	64.18

Note: Related party transactions between the Company and CMGC also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX1.

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

3. Principal joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in Note IX3.

Joint ventures and associates entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows:

Name of joint ventures and associates	Relationship with the Group
Zhuhai Kaduhaijun Real Estate Development Co., Ltd. (Note)	Joint venture
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Joint venture
Beijing Tiancheng GUYUN Property Management Co., Ltd.	Joint venture
Hebei MCC Mingrun Real Estate Development Co., Ltd.	Joint venture
Dianjiang County Wenbi Construction Co., Ltd.	Joint venture
Fuzhou MCC Infrastructure Investment Co., Ltd.	Joint venture
CERI Yingkou Equipment Technology Co., Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate
Wuhan Zhonghe Engineering Technique Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
MCC Suzhou SUMA Construction Development Co., Ltd.	Associate
Maanshan MCC Economic Development Company Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Associate
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
Mudanjiang MCC Real Estate Co., Ltd.	Associate
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Associate
Sichuan HangYe Industrial Co., Ltd.	Associate
Tianjin MCC Xinhua Real Estate Co., Ltd.	Associate
Shanghai United Automobile Road Construction Development Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	Associate
Shanghai MCC Xiangqi Investment Co., Ltd.	Associate
Beijing Zhongye HengSheng Real Estate Co., Ltd.	Associate
Shanghai Zhihu Real Estate Co., Ltd.	Associate
Wuhan Hanwei Refining Engeneering Co., Ltd.	Associate
Chongqing XinLian Steel Equipment Technique Co., Ltd.	Associate
SL-GV-MCC PTE LTD	Associate
Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	Associate
MCC-Huafa Integrated Pipe Network Co., Ltd.	Associate
Maanshan Jiahe Real Estate Co., Ltd.	Associate
RCC/MCC JOINT VENTURE	Associate
Meizhou MCC City Construction and Development Co., Ltd.	Associate
Meizhou MCC Road Construction and Development Co., Ltd.	Associate
Shanghai Libo Labor Service Co., Ltd.	Associate
Tianjin MCC Jinyu Real Estate Co., Ltd.	Associate
Maanshan Golden Tourism Investment Co., Ltd.	Associate
Baiyin Integrated Pipe Network Management Co., Ltd.	Associate
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Associate

Note: Zhuhai Kaduhaijun Real Estate Development Co., Ltd. has been disposed in January 2016.

XII RELATED PARTIES AND TRANSACTIONS *(Continued)*

4. Other related parties of the Group

Other related parties entered into transactions with the Group during the period, or during the prior period with remaining closing balance were as follows, such transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange:

Name of other related parties	Relationship with the Group
MCC Huludao Nonferrous Metals Group Co., Ltd.	Fellow subsidiary
MCC Asset Management Co., Ltd.	Fellow subsidiary
Subsidiaries of MCC Huludao Nonferrous Metals Group Co., Ltd.: Huludao Zinc Industry Co., Ltd.	Under common control
Subsidiaries of MCC Asset Management Co., Ltd.: Beijing Dongxing Metallurgical New-Tech & Development Corp. Beijing China Metallurgical Construction Taxi Company	Under common control Under common control
Subsidiaries of Beijing Dongxing Metallurgical New-Tech & Development Corp.: Handan Huaye Property Services Co., Ltd. Handan Huaye New Type Building Material Co., Ltd. Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd. Hainan Luda Real Estate Development Co., Ltd. Chengdu Hongqiang Property Management Co., Ltd.	Under common control Under common control Under common control Under common control Under common control

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions

(1) Purchase or sales of goods, provision or receipt of services

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
With companies under common control:		1,020	40,629
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of goods and receiving services	768	304
Beijing China Metallurgical Construction Taxi Company	Receiving services	176	157
Chengdu Hongqiang Property Management Co., Ltd.	Receiving services	76	–
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Purchase of intangible assets	–	40,168
With joint ventures and associates:		392,187	9,727
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Purchase of goods and receiving services	318,517	–
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods and receiving services	53,374	–
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods and receiving services	9,083	–
CERI Yingkou Equipment Technology Co., Ltd.	Purchase of goods	6,694	8,850
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Purchase of goods and receiving services	3,669	650
Wuhan Zhonghe Engineering Technique Co., Ltd.	Purchase of goods and receiving services	400	77
Shanghai MCC Xiangqi Investment Co., Ltd.	Purchase of goods	318	–
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods and receiving services	132	–
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Purchase of goods and receiving services	–	150
Total		393,207	50,356

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
With companies under common control:		–	5,188
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Providing services	–	5,188
With the joint ventures and associates:		507,043	544,336
Wuhan Zhong Yi Investment Construction Company Ltd.	Providing services	334,374	306,301
MCC Suzhou SUMA Construction Development Co., Ltd.	Providing services	61,717	104,448
Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	Providing services	43,915	–
Maanshan MCC Economic Development Company Ltd.	Providing services	22,958	12,364
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	Providing services	21,878	2,255
Fuzhou MCC Infrastructure Investment Co., Ltd.	Providing services	15,244	–
Tianjin SERI Machinery Equipment Corporation Ltd.	Providing services	4,600	–
CERI Yingkou Equipment Technology Co., Ltd.	Selling goods and providing services	1,554	–
Baotou MCC Real Estate Co., Ltd.	Providing services	554	7,133
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Providing services	249	536
Tianjin MCC Xinhua Real Estate Co., Ltd.	Providing services	–	92,372
Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	Providing services	–	18,437
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Providing services	–	490
Total		507,043	549,524

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(2) Lease

(a) As lessor

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized in the current period	Leasing income recognized in the prior period
Beijing Dongxing Metallurgical New-Tech & Development Corp.	Buildings and structures	1,380	233
Beijing China Metallurgical Construction Taxi Company	Buildings and structures	55	55
Total		1,435	288

(b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Leasing expense recognized in the current period	Leasing expense recognized in the prior period
China Metallurgical Group Corporation (note)	Buildings and structures	21,123	16,961
Beijing Dongxing Metallurgical New-Tech & Development Corp. (note)	Buildings, structures and equipment	5,065	6,443
Total		26,188	23,404

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(3) Guarantee

(a) Grant guarantees

All amounts in RMB'000

Guaranteed party	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at the end of the period
CERI Yingkou Equipment Technology Co., Ltd.	178,000	2009-06-18	2017-12-10	No
CERI Yingkou Equipment Technology Co., Ltd.	124,600	2010-02-02	2017-12-02	No

(b) Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at the end of the period
China Metallurgical Group Corporation	3,332,464	2011-07-29	2016-07-29	No
China Metallurgical Group Corporation	1,474,025	2015-05-21	2017-05-21	No
China Metallurgical Group Corporation	336,865	2016-02-28	2017-02-28	No

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XII RELATED PARTIES AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(4) Loans from/to related parties

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Loans from related parties:				
None.				
Loans to related parties:				
Wuhan Zhong Yi Investment Construction Company Ltd.	613,500	2016-01-01	No fixed date	General loan
Hebei MCC Mingrun Real Estate Development Co., Ltd.	900,000	2016-01-26	2017-01-25	Entrusted loan
Shanghai Zhihu Real Estate Co., Ltd.	100,000	2016-06-01	2016-09-20	General loan
Tianjin MCC Jinyu Real Estate Co., Ltd.	85,300	2016-04-01	2017-03-31	General loan
Total	1,698,800			

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 4.35% to 10.00%.

(5) Compensation of key management personnel

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Compensation of key management personnel	2,329	2,241

XII RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related party	Amount for the current period	Amount for the prior period
Interest income	Hebei MCC Mingrun Real Estate Development Co., Ltd.	34,448	–
Interest income	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	31,381	1,676
Interest income	Sichuan HangYe Industrial Co., Ltd.	10,710	7,504
Interest income	Mudanjiang MCC Real Estate Co., Ltd.	7,906	2,700
Interest income	Tianjin Tuanbo Urban Development Co., Ltd.	7,248	7,510
Interest income	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	7,065	4,797
Interest income	Wuhan Zhong Yi Investment Construction Company Ltd.	6,701	4,770
Interest income	Shanghai Zhihu Real Estate Co., Ltd.	3,369	–
Interest income	Tianjin MCC Heyuan Real Estate Co., Ltd.	2,867	2,851
Interest income	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	1,721	39,635
Interest income	Tianjin MCC Jinyu Real Estate Co., Ltd.	1,460	–
Total interest income		114,876	71,443
Interest expenses	China Metallurgical Group Corporation	10,833	10,819
Total interest expenses		10,833	10,819

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties

(1) Receivables

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	179,204	550	161,605	550
Accounts receivable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	148,924	59,578	151,274	61,008
Accounts receivable	Wuhan Zhong Yi Investment Construction Company Ltd.	114,809	–	–	–
Accounts receivable	Tianjin Tuanbo Urban Development Co., Ltd.	109,582	527	127,552	693
Accounts receivable	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	103,466	2,808	80,476	3,114
Accounts receivable	CERI Yingkou Equipment Technology Co., Ltd.	74,941	14,711	81,629	11,456
Accounts receivable	Tianjin MCC Xinhua Real Estate Co., Ltd.	72,675	7,268	77,025	3,851
Accounts receivable	Maanshan MCC Economic Development Company Ltd.	68,733	–	–	–
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	48,250	19	50,422	4,048
Accounts receivable	MCC Suzhou SUMA Construction Development Co., Ltd.	39,360	–	6,860	–
Accounts receivable	Shanghai United Automobile Road Construction Development Co., Ltd.	22,735	11,282	22,735	6,307
Accounts receivable	Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	19,945	997	–	–
Accounts receivable	Wuhan Hanwei Refining Engineering Co., Ltd.	18,965	948	21,307	1,451
Accounts receivable	Fuzhou MCC Infrastructure Investment Co., Ltd.	6,666	–	–	–
Accounts receivable	Chongqing XinLian Steel Equipment Technique Co., Ltd.	5,359	322	8,168	418
Accounts receivable	SL-GV-MCC PTE LTD	5,016	–	4,673	–
Accounts receivable	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	–	–	28,218	–
Accounts receivable	MCC Huludao Nonferrous Metals Group Co., Ltd.	–	–	804	804
Accounts receivable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	–	–	75	4
Total		1,038,630	99,010	822,823	93,704

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,304,409	–	1,020,909	–
Other receivables	Hebei MCC Mingrun Real Estate Development Co., Ltd.	1,127,338	–	927,375	–
Other receivables	CERI Yingkou Equipment Technology Co., Ltd.	858,115	195,089	854,826	191,799
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	470,244	–	441,566	–
Other receivables	Baotou MCC Real Estate Co., Ltd.	414,828	123,069	415,803	119,325
Other receivables	Sichuan HangYe Industrial Co., Ltd.	234,350	18,755	484,350	29,220
Other receivables	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	201,625	19,525	197,713	19,329
Other receivables	Tianjin MCC Heyuan Real Estate Co., Ltd.	125,253	–	110,259	–
Other receivables	Shanghai ZhiHu Real Estate Development Co., Ltd.	100,000	5,000	142	–
Other receivables	Mudanjiang MCC Real Estate Co., Ltd.	94,119	–	90,750	–
Other receivables	Tianjin MCC Jinyu Real Estate Co., Ltd.	86,760	4,338	–	–
Other receivables	Tangshan CaoFeidian 22nd Metallurgical Construction Technique Co., Ltd.	84,474	8	83,218	5
Other receivables	Tianjin MCC Xinhua Real Estate Co., Ltd.	67,217	14,379	73,697	12,283
Other receivables	MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	66,974	–	64,507	–
Other receivables	Chengdu Tianfu New District MCC Xinde Real Estate Co., Ltd.	59,775	–	42,684	–
Other receivables	Shanghai Yuepu South Concrete Co., Ltd.	58,796	45,211	81,841	51,593
Other receivables	SL-GV-MCC PTE LTD	39,386	–	36,695	–
Other receivables	RCC/MCC JOINT VENTURE	32,880	–	–	–
Other receivables	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	17,284	10,334	16,384	8,016
Other receivables	Beijing Tiancheng GUYUN Property Management Co., Ltd.	10,260	–	–	–
Other receivables	MCC-Huafa Integrated Pipe Network Co., Ltd.	6,000	–	500	–
Other receivables	Zhanjiang Baofa CISDI Rotary Hearth Furnace Technology Co., Ltd.	2,000	–	–	–
Other receivables	Tangshan Wanzhu 22nd Metallurgical Construction Technique Co., Ltd.	1,938	–	28,423	–
Other receivables	Meizhou MCC Road Construction and Development Co., Ltd.	1,549	77	–	–
Other receivables	Beijing Zhongye HengSheng Real Estate Co., Ltd.	1,290	–	921	–
Other receivables	Shanghai United Automobile Road Construction Development Co., Ltd.	922	67	3,199	242
Other receivables	Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	–	–	936,629	–
Other receivables	Dianjiang County Wenbi Construction Co., Ltd.	–	–	50,000	–
Other receivables	MCC Suzhou SUMA Construction Development Co., Ltd.	–	–	8,525	–
Total		5,467,786	435,852	5,970,916	431,812

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

All amounts in RMB'000

Items	Related parties	Closing balance		Opening balance	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Prepayments	CERI Yingkou Equipment Technology Co., Ltd.	225,480	-	216,210	-
Prepayments	Tianjin SERI Machinery Equipment Corporation Ltd.	101,299	-	102	-
Prepayments	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	38,025	-	-	-
Prepayments	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	27,347	-	28,862	-
Prepayments	Wuhan Hanwei Refining Engineering Co., Ltd.	3,348	-	5,092	-
Prepayments	Huludao Zinc Industry Co., Ltd.	3,200	-	-	-
Prepayments	Shanghai Tongji Baoye Construction Robot Co., Ltd.	-	-	180	-
Total		398,699	-	250,446	-
Dividends receivable	Tianjin Tuanbo Urban Development Co., Ltd.	18,000	-	18,000	-
Dividends receivable	Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	-	17,097	-
Dividends receivable	Maanshan Jiahe Real Estate Co., Ltd.	1,400	-	1,000	-
Dividends receivable	Wuhan Zhonghe Engineering Technique Co., Ltd.	-	-	1,000	-
Total		36,497	-	37,097	-
Non-current assets due within one year	CERI Yingkou Equipment Technology Co., Ltd.	500,000	-	500,000	-
Total		500,000	-	500,000	-

XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Accounts payable	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	243,169	37,511
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	82,024	37,810
Accounts payable	CERI Yingkou Equipment Technology Co., Ltd.	21,011	25,919
Accounts payable	Shanghai Libo Labor Service Co., Ltd.	20,632	–
Accounts payable	Tianjin SERI Machinery Equipment Corporation Ltd.	11,247	11,115
Accounts payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	11,176	23,370
Accounts payable	Shanghai Tongji Baoye Construction Robot Co., Ltd.	4,002	760
Accounts payable	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	1,954	37
Accounts payable	Wuhan Zhonghe Engineering Technique Co., Ltd.	358	843
Total		395,573	137,365
Other payables	MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	368,471
Other payables	China Metallurgical Group Corporation	114,765	102,698
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	91,877	91,803
Other payables	Beijing Dongxing Metallurgical New-Tech & Development Corp.	41,833	38,021
Other payables	MCC Suzhou SUMA Construction Development Co., Ltd.	24,544	–
Other payables	Shanghai MCC Xiangqi Investment Co., Ltd.	21,171	20,853
Other payables	Inner Mongolia Zhongye DeBang Real Estate Co., Ltd.	17,000	–
Other payables	Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	5,891	5,891
Other payables	Hainan Luda Real Estate Development Co., Ltd.	4,927	4,994
Other payables	CERI Yingkou Equipment Technology Co., Ltd.	3,190	3,190
Other payables	Shanghai Libo Labor Service Co., Ltd.	2,510	–
Other payables	Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	1,400	750
Other payables	Handan Huaye property services Co., Ltd.	993	2,164
Other payables	Maanshan MCC Economic Development Company Ltd.	900	900
Other payables	MCC Asset Management Co., Ltd.	558	3,690
Other payables	Handan Huaye New Type Building Material Co., Ltd.	456	402
Other payables	Tianjin Zhongji Equipment Manufacture Co., Ltd.	–	49,713
Total		700,486	693,540

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

All amounts in RMB'000

Items	Related parties	Closing book value	Opening book value
Receipts in advance	Baiyin Integrated Pipe Network Management Co., Ltd.	233,159	—
Receipts in advance	Meizhou MCC City Construction and Development Co., Ltd.	60,000	—
Receipts in advance	Meizhou MCC Road Construction and Development Co., Ltd.	55,000	—
Receipts in advance	Maanshan Golden Tourism Investment Co., Ltd.	20,416	—
Receipts in advance	Tianjin Tuanbo Urban Development Co., Ltd.	16,500	16,500
Receipts in advance	CERI Yingkou Equipment Technology Co., Ltd.	7,255	7,369
Receipts in advance	Huludao Zinc Industry Co., Ltd.	270	270
Receipts in advance	Tianjin MCC Heyuan Real Estate Co., Ltd.	243	243
Receipts in advance	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	72	72
Total		392,915	24,454
Dividends payable	Beijing China Metallurgical Construction Taxi Company	17	17
Total		17	17
Interests payable	Tianjin Zhongji Equipment Manufacture Co., Ltd.	3,105	6,186
Total		3,105	6,186
Non-current liabilities due in one year	China Metallurgical Group Corporation	—	78,980
Total		—	78,980
Long-term payable	China Metallurgical Group Corporation	378,980	300,000
Total		378,980	300,000

XII RELATED PARTIES AND TRANSACTIONS (Continued)

7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties but not provided for in the balance sheet were as follows:

Lease:

All amounts in RMB'000

Items	Related parties	Closing balance	Opening balance
Leases from	Beijing Dongxing Metallurgical New-Tech & Development Corp.	4,586	3,823
Leases from	China Metallurgical Group Corporation	33,915	964
Total		38,501	4,787

8. Other Disclosures

As stated in Note III 1, the Strategic Restructuring between CMGC and CMC is in progress. According to <Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange> Article 11(1), CMC has become the Company's related party.

CMC and its subsidiaries entered into transactions with the Group during the current period, or during the prior period with remaining closing balance were as follows:

Name of Companies	Relationship with CMC
Zhuoshen Nonferrous Metal Processing Equipment Co., Ltd.	Subsidiary
Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	Subsidiary
Minmetals Yingkou Medium Plate Co., Ltd.	Subsidiary
Minmetals Copper (Hunan) Company Limited	Subsidiary
Minmetals Condo (Shanghai) Construction Co., Ltd.	Subsidiary
Minmetals Lanzhou Steel Logistics Co., Ltd.	Subsidiary
Minmetals Hanxing Mining Co., Ltd.	Subsidiary
Minmetals International Tendering Co., Ltd.	Subsidiary
Minmetals Steel Co., Ltd.	Subsidiary
Minmetals Steel Tianjin Co., Ltd.	Subsidiary
Minmetals Steel Xiamen Co., Ltd.	Subsidiary
Minmetals Steel Hangzhou Co., Ltd.	Subsidiary
Minmetals Steel Guangzhou Co., Ltd.	Subsidiary
Minmetals Steel Chengdu Co., Ltd.	Subsidiary
Minmetals Steel Beijing Co., Ltd.	Subsidiary
Minmetals Steel Wuhan Limited Company	Subsidiary
The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	Subsidiary
Shui Kou Shan Nonferrous Metals Group Co., Ltd.	Subsidiary
Jinchi Energy Materials Co., Ltd.	Subsidiary
Jiangxi Xiushui Xianglushan Tungsten Co., Ltd.	Subsidiary
Hunan Nonferrous Heavy Machinery Co., Ltd.	Subsidiary
Hunan Nonferrous Hightech Material Co., Ltd.	Subsidiary
Hunan Shui Kou Shan Nonferrous Metals Group Co., Ltd.	Subsidiary
Hunan Shizhuyuan Nonferrous Metals Co., Ltd.	Subsidiary
Hunan Huangshaping Lead-Zinc Mine	Subsidiary
Anhui Development Mining Co., Ltd.	Subsidiary

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

Transactions with CMC for the current period and amounts due from/due to CMC at the end of the period are disclosed as follows:

(1) Transactions with CMC

(a) Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	35,248
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	12,580
Minmetals Steel Hangzhou Co., Ltd.	Purchase of goods	2,025
The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	Purchase of goods	1,804
Minmetals Condo (Shanghai) Construction Co., Ltd.	Receiving services	1,659
Minmetals Steel Wuhan Limited Company	Purchase of goods	1,528
Hunan Nonferrous Heavy Machinery Co., Ltd.	Purchase of goods	948
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	658
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	220
Minmetals Yingkou Medium Plate Co., Ltd.	Purchase of goods	175
Total		56,845

(b) Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period
Minmetals Copper (Hunan) Company Limited	Providing services	179,881
Minmetals Yingkou Medium Plate Co., Ltd.	Selling goods and providing services	7,563
Minmetals Hanxing Mining Co., Ltd.	Providing services	1,285
Minmetals Lanzhou Steel Logistics Co., Ltd.	Providing services	240
The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	Selling goods	201
Anhui Development Mining Co., Ltd.	Providing services	100
Total		189,270

XII RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

(2) Amounts due from/due to CMC

(a) Receivables

All amounts in RMB'000

Items	Related parties	Closing book value	Provision for bad debts
Accounts Receivable	Minmetals Copper (Hunan) Company Limited	151,662	—
Accounts Receivable	Minmetals Yingkou Medium Plate Co., Ltd.	51,833	12,381
Accounts Receivable	Minmetals Hanxing Mining Co., Ltd.	10,228	511
Accounts Receivable	Anhui Development Mining Co., Ltd.	4,337	60
Accounts Receivable	Jiangxi Xiushui Xianglushan Tungsten Co., Ltd.	2,744	823
Accounts Receivable	Hunan Nonferrous Hightech Material Co., Ltd.	2,726	—
Accounts Receivable	The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	1,830	122
Accounts Receivable	Hunan Shui Kou Shan Nonferrous Metals Group Co., Ltd.	652	65
Accounts Receivable	Hunan Shizhuyuan Nonferrous Metals Co., Ltd.	300	30
Accounts Receivable	Zhuoshen Nonferrous Metal Processing Equipment Co., Ltd.	43	43
Total		226,355	14,035
Other Receivables	Minmetals Yingkou Medium Plate Co., Ltd.	3,544	1,144
Other Receivables	Anhui Development Mining Co., Ltd.	200	—
Other Receivables	Minmetals International Tendering Co., Ltd.	200	—
Other Receivables	Minmetals Hanxing Mining Co., Ltd.	64	—
Total		4,008	1,144
Prepayments	The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	9,185	—
Prepayments	Minmetals Yingkou Medium Plate Co., Ltd.	4,755	—
Prepayments	Minmetals Steel Beijing Co., Ltd.	1,364	—
Prepayments	Minmetals Steel Tianjin Co., Ltd.	1,246	—
Prepayments	Minmetals Steel Wuhan Limited Company	50	—
Total		16,600	—

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XII RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

(2) Amounts due from/due to CMC (Continued)

(b) Payables

All amounts in RMB'000

Items	Related parties	Closing book value
Bills Payable	Minmetals Steel Beijing Co., Ltd.	39,194
Bills Payable	Minmetals Steel Tianjin Co., Ltd.	3,056
Total		42,250
Accounts Payable	The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	61,602
Accounts Payable	Minmetals Condo (Shanghai) Construction Co., Ltd.	12,507
Accounts Payable	Minmetals Steel Guangzhou Co., Ltd.	11,335
Accounts Payable	Minmetals Steel Co., Ltd.	7,965
Accounts Payable	Minmetals Steel Tianjin Co., Ltd.	7,500
Accounts Payable	Shui Kou Shan Nonferrous Metals Group Co., Ltd.	2,990
Accounts Payable	Minmetals Yingkou Medium Plate Co., Ltd.	2,663
Accounts Payable	Minmetals Steel Hangzhou Co., Ltd.	2,025
Accounts Payable	Minmetals Steel Beijing Co., Ltd.	1,935
Accounts Payable	Minmetals Steel Chengdu Co., Ltd.	521
Total		111,043
Other Payables	Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	87,704
Other Payables	Hunan Huangshaping Lead-Zinc Mine	38,525
Other Payables	The 23rd Metallurgical Construction Group Co., Ltd of Minmetals	1,385
Other Payables	Minmetals Condo (Shanghai) Construction Co., Ltd.	500
Other Payables	Minmetals Steel Wuhan Limited Company	50
Other Payables	Minmetals Steel Xiamen Co., Ltd.	20
Other Payables	Hunan Nonferrous Heavy Machinery Co., Ltd.	5
Total		128,189

XII RELATED PARTIES AND TRANSACTIONS (Continued)

8. Other Disclosures (Continued)

(2) Amounts due from/due to CMC (Continued)

(b) Payables (Continued)

All amounts in RMB'000

Items	Related parties	Closing book value
Receipts in advance	Minmetals Yingkou Medium Plate Co., Ltd.	5,461
Receipts in advance	Jinchi Energy Materials Co., Ltd.	1,300
Receipts in advance	Shui Kou Shan Nonferrous Metals Group Co., Ltd.	170
Total		6,931

XIII COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not provided for in the balance sheet were as follows:

All amounts in RMB'000

Items	Closing balance	Opening balance
Buildings, structures and equipment	23,971,443	24,841,576
Intangible assets	4,287,154	4,423,266
Total	28,258,597	29,264,842

(2) Operating lease commitments

Minimum lease payments under non-cancellable operating leases:

All amounts in RMB'000

Items	Closing balance	Opening balance
Within 1 year	18,566	6,784
1 to 2 years	19,662	5,012
2 to 3 years	14,472	2,974
Over 3 years	31,598	30,671
Total	84,298	45,441

XIII COMMITMENTS AND CONTINGENCIES *(Continued)*

2. Contingencies

(1) Significant contingencies at the balance sheet date

(a) Pending litigation or arbitration

As at 30 June 2016, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB1,821,893,000.

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 30 June 2016, management has made provision for pending lawsuits of RMB22,310,000, details of which are set out in Note VII42.

(b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Party being guaranteed	Type of guarantee	Type of responsibility	Guaranteed items	Guaranteed amount
MCC Capital Engineering & Research Incorporation Limited	CERI Yingkou Equipment Technology Co., Ltd.	Guarantee	Joint Liability	Borrowing guarantees	302,600
Mortgage guarantees (note)					4,895,790

Note: The Group's subsidiaries in property development sector would provide mortgage guarantees to the property purchasers as it is a common practice in property development industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

XIII COMMITMENTS AND CONTINGENCIES *(Continued)*

2. Contingencies *(Continued)*

(1) **Significant contingencies at the balance sheet date** *(Continued)*

(c) *Others*

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013.

In 2013, due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is made in these financial statements.

XIV EVENTS AFTER THE BALANCE SHEET DATE

According to the resolutions passed at the tenth meeting and the eighteenth meeting of the second term of the board of directors of the Company, the Company proposes to issue A shares under the non-public issuance to specific investors excluding the Controlling Shareholder, de facto controller of the Company or the related parties under their control. As of the approval date of these financial statements, the non-public issuance has been approved by the SASAC, the general meeting and shareholders' class meetings of the Company, and the CSRC, and the official approval documents from the CSRC has been obtained, but the non-public issuance has yet to be formally implemented. CMGC will remain the Controlling Shareholder of the Company after the non-public issuance. As a result, the non-public issuance will not cause any change of the Controlling Shareholder of the Company.

XV OTHER SIGNIFICANT ITEMS

1. Segment information

(1) *Accounting policies of the segment*

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

Operating segment is a component of the Group which is satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the financial position, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

(a) Segment information for the period ended 30 June 2016 and as at 30 June 2016

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	81,666,232	9,695,383	3,057,360	1,834,972	1,474,099	-	1,903,391	95,824,655
Including: Revenue from external customers	80,551,346	9,572,267	2,704,161	1,811,126	1,185,755	-	-	95,824,655
Revenue between segments	1,114,886	123,116	353,199	23,846	288,344	-	1,903,391	-
Operating costs	73,003,048	6,406,128	2,656,695	1,850,178	1,292,720	-	1,841,984	83,366,785
Including: External costs	71,961,059	6,274,130	2,298,184	1,830,510	1,002,902	-	-	83,366,785
Costs between segments	1,041,989	131,998	358,511	19,668	289,818	-	1,841,984	-
Operating profit/(loss)	1,842,909	2,117,912	(135,304)	(590,283)	99,874	(62,770)	30,271	3,242,067
Including: Interest income	127,460	80,175	25,370	3,884	580,184	-	314,942	502,131
Interest expense	810,564	194,083	84,978	290,005	504,294	-	314,942	1,568,982
Investment income/(loss) from associates and joint ventures	(148,404)	408,634	-	-	(4,039)	-	-	256,191
Non-operating income	278,134	52,145	34,574	4,979	18,106	-	-	387,938
Non-operating expenses	41,937	3,379	6,260	1,780	248	-	-	53,604
Total profit/(loss)	2,079,106	2,166,678	(106,990)	(587,084)	117,732	(62,770)	30,271	3,576,401
Income tax expense	204,205	461,143	43,261	13	40,615	-	-	749,237
Net profit/(loss)	1,874,901	1,705,535	(150,251)	(587,097)	77,117	(62,770)	30,271	2,827,164
Assets	240,684,475	100,260,509	17,845,727	19,929,806	37,574,544	4,091,243	61,033,347	359,352,957
Including: Long-term equity investments in associates and joint ventures	3,566,187	667,655	-	-	62,710	-	-	4,296,552
Non-current assets	26,428,662	3,150,624	5,907,277	14,662,788	15,936,642	-	10,727,254	55,358,739
Liabilities	201,206,446	78,663,753	12,122,989	21,666,276	32,685,550	318,215	59,599,264	287,063,965
Depreciation and amortization expenses	823,293	34,276	176,410	461,297	65,191	-	-	1,560,467
Assets impairment losses	1,351,698	7,282	80,056	6,073	(21,954)	-	-	1,423,155
Increase in other non-current assets other than long-term equity investments	1,301,192	65,627	34,802	223,073	86,107	-	-	1,710,801

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XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment (Continued)

(b) Segment information for the period ended 30 June 2015 and as at 31 December 2015

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	85,377,452	9,986,562	3,823,682	1,282,808	1,365,419	-	1,144,372	100,691,551
Including: Revenue from external customers	84,616,213	9,957,479	3,730,625	1,266,535	1,120,699	-	-	100,691,551
Revenue between segments	761,239	29,083	93,057	16,273	244,720	-	1,144,372	-
Operating costs	74,946,935	7,776,339	3,288,824	1,400,015	1,198,448	-	1,016,902	87,593,659
Including: External costs	74,297,035	7,754,683	3,195,767	1,378,886	967,288	-	-	87,593,659
Costs between segments	649,900	21,656	93,057	21,129	231,160	-	1,016,902	-
Operating profit/(loss)	2,828,953	1,164,472	(28,273)	(850,981)	168,091	(61,463)	93,564	3,127,235
Including: Interest income	336,308	58,315	32,561	14,160	512,406	-	331,223	622,527
Interest expense	1,239,106	130,921	112,125	306,944	424,084	-	331,223	1,881,957
Investment income/(loss) from associates and joint ventures	(94,779)	153,669	-	-	17	-	-	58,907
Non-operating income	215,995	82,800	117,108	3,534	2,793	-	-	422,230
Non-operating expenses	27,743	7,219	8,862	974	527	-	-	45,325
Total profit/(loss)	3,017,205	1,240,053	79,973	(848,421)	170,357	(61,463)	93,564	3,504,140
Income tax expense	613,073	338,543	45,572	(313)	46,448	-	-	1,043,323
Net profit/(loss)	2,404,132	901,510	34,401	(848,108)	123,909	(61,463)	93,564	2,460,817
Assets	238,187,222	93,070,075	19,011,562	20,107,971	37,511,129	3,733,420	67,858,560	343,762,819
Including: Long-term equity investments in associates and joint ventures	3,120,649	727,626	-	-	66,750	-	-	3,915,025
Non-current assets	26,188,787	3,022,307	6,366,795	14,797,735	11,832,280	-	7,299,991	54,907,913
Liabilities	199,418,199	71,781,877	12,360,306	21,463,228	32,895,299	325,305	65,636,419	272,607,795
Depreciation and amortization expenses	761,682	36,477	178,027	451,322	51,905	-	-	1,479,413
Assets impairment losses	990,403	(6,227)	27,170	45,367	1,580	-	-	1,058,293
Increase in other non-current assets other than long-term equity investments	1,034,487	99,210	134,371	128,611	7,662	-	-	1,404,341

XV OTHER SIGNIFICANT ITEMS (Continued)

1. Segment information (Continued)

(3) Other notes

(a) Revenue from external customers classified by source of income and non-current assets classified by geographic locations

All amounts in RMB'000

Operating revenue	Amount recognized in the current period	Amount recognized in the prior period
China	89,870,420	95,860,142
Other countries/regions	5,954,235	4,831,409
Total	95,824,655	100,691,551

All amounts in RMB'000

Non-current assets	Closing balance	Opening balance
China	43,082,917	42,732,119
Other countries/regions	12,275,822	12,175,794
Total	55,358,739	54,907,913

(b) The dependency on major customers

There is not any external customer the revenue from whom counted over 10% of the operating revenue of the Group.

2. Net current assets and total assets less current liabilities

(1) Net current assets

All amounts in RMB'000

	Closing balance	Opening balance
Current assets	290,061,398	275,558,793
Less: Current liabilities	246,646,689	235,474,624
Net current assets	43,414,709	40,084,169

(2) Total assets less current liabilities

All amounts in RMB'000

	Closing balance	Opening balance
Total Assets	359,352,957	343,762,819
Less: Current liabilities	246,646,689	235,474,624
Total assets less current liabilities	112,706,268	108,288,195

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XV OTHER SIGNIFICANT ITEMS (Continued)

3. Earnings per share

(1) **When calculating earnings per share, net profit for the current period attributable to ordinary shareholders**

All amounts in RMB'000

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to shareholders of the Company	2,415,926	2,172,265
Including: Net profit from continuing operations	2,415,926	2,172,265
Less: Net profit belong to the perpetual bond holders	249,309	21,863
Net profit for the current period attributable to ordinary shareholders	2,166,617	2,150,402

(2) **For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares**

All amounts in thousand shares

	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the period	19,110,000	19,110,000
Add: Weighted average number of ordinary shares issued during the period	—	—
Less: Weighted average number of ordinary shares repurchased during the period	—	—
Number of ordinary shares outstanding at the end of the period	19,110,000	19,110,000

(3) **Earnings per share**

All amounts in RMB

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.11	0.11
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.11	0.11
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	Not applicable	Not applicable
Diluted earnings per share	Not applicable	Not applicable

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	–	151,693
1 to 2 years	40,369	40,369
2 to 3 years	3,742	5,613
3 to 4 years	24,861	37,893
4 to 5 years	55,334	114,525
Over 5 years	347,548	267,604
Total book value	471,854	617,697
Less: provisions for bad debts	124,812	124,812
Carrying amount	347,042	492,885

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

(2) Accounts receivable disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount
Individually significant and subject to provision individually	–	–	–	–	–	–	–	–	–	–
Subject to provision by groups with credit risk	465,056	/	118,014	/	347,042	610,899	/	118,014	/	492,885
Group1 (a)	118,382	25.09	118,014	99.69	368	118,382	19.17	118,014	99.69	368
Group2	346,674	73.47	–	–	346,674	492,517	79.73	–	–	492,517
Accounts receivable which are individually insignificant but subject to provision individually	6,798	1.44	6,798	100.00	–	6,798	1.10	6,798	100.00	–
Total	471,854	/	124,812	/	347,042	617,697	/	124,812	/	492,885

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XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Accounts receivable disclosed by category (Continued)

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

All amounts in RMB'000

Aging	Closing balance			Opening balance		
	Book value	Provision for bad debts	Proportion of provision (%)	Book value	Provision for bad debts	Proportion of provision (%)
Within 1 year	—	—	—	—	—	—
1 to 2 years	—	—	—	—	—	—
2 to 3 years	525	157	30.00	525	157	30.00
3 to 4 years	—	—	—	—	—	—
4 to 5 years	—	—	—	—	—	—
Over 5 years	117,857	117,857	100.00	117,857	117,857	100.00
Total	118,382	118,014	/	118,382	118,014	/

(3) Provision for bad debts for the current period was nil, and there was no recovery or reversal of bad debts for the current period.

(4) There was no accounts receivable written off during the current period.

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

All amounts in RMB'000

Name of entity	Relationship with the Company	Closing balance	As a percentage of total accounts receivable (%)	Provision for bad debts at the end of the period
Party 1	Subsidiary	281,926	59.75	—
Party 2	Third Party	118,382	25.09	118,014
Party 3	Third Party	46,454	9.84	—
Party 4	Subsidiary	18,294	3.88	—
Party 5	Third Party	6,798	1.44	6,798
Total	/	471,854	100.00	124,812

(6) As at 30 June 2016, there was no accounts receivable derecognized due to the transfer of financial assets (as at 31 December 2015: nil).

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Interests receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries of the Company	2,382,827	1,880,024
Less: Provision for bad debts	329,863	325,609
Total	2,052,964	1,554,415

3. Dividends receivable

(1) Dividends receivable

All amounts in RMB'000

The name of investee	Closing balance	Opening balance
China 22 MCC Group Co., Ltd.	286,166	286,166
CISDI Group Co., Ltd.	236,656	236,656
MCC Communication Construction Group Co., Ltd.	219,366	219,366
MCC TianGong Group Corporation Limited	129,683	129,683
WISDRI Engineering & Research Incorporation Limited	93,069	181,262
BERIS Group Corporation	92,167	92,167
China MCC 17 Group Co., Ltd.	54,379	54,379
China ENFI Engineering Co., Ltd.	48,741	110,263
China Metallurgical Construction Engineering Group Co., Ltd.	25,217	25,217
Northern Engineering & Technology Corporation, MCC	13,876	13,876
MCC Overseas Ltd.	13,134	13,134
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	5,797
MCC Finance Corporation Ltd.	—	232,181
MCC Real Estate Group Co., Ltd.	—	222,122
Shanghai Baoye Group Corp., Ltd.	—	136,263
MCC Capital Engineering & Research Incorporation Limited	—	44,648
MCC Baosteel Technology Services Co., Ltd.	—	44,623
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	—	37,046
Zhong Ye Chang Tian International Engineering Co., Ltd.	—	36,312
Huatian Engineering & Technology Corporation, MCC	—	35,228
MCC Tongsin Resources Ltd.	—	7,863
Shen Kan Engineering & Technology Corporation, MCC	—	2,384
China MCC 19 Group Co., Ltd.	—	4
Total	1,218,251	2,166,640

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XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

3. Dividends receivable (Continued)

(2) Dividends receivable aged over 1 year

All amounts in RMB'000

The name of investee	Closing balance	Aging	Reasons for not yet received	Impairment required
China 22MCC Group Co., Ltd.	286,166	1-3 years	Announced but not paid	No
CISDI Group Co., Ltd.	236,656	2-3 years	Announced but not paid	No
MCC Communication Construction Group Co., Ltd.	182,141	1-3 years	Announced but not paid	No
WISDRI Engineering & Research Incorporation Limited	93,069	2-3 years	Announced but not paid	No
BERIS Group Corporation	92,167	1-3 years	Announced but not paid	No
China MCC 17 Group Co., Ltd.	54,379	1-2 years	Announced but not paid	No
China ENFI Engineering Co., Ltd.	48,741	1-2 years	Announced but not paid	No
Northern Engineering & Technology Corporation, MCC	13,876	2-3 years	Announced but not paid	No
MCC Overseas Ltd.	6,705	2-3 years	Announced but not paid	No
MCC-SFRE Heavy Industry Equipment Co., Ltd.	5,797	3-4 years	Announced but not paid	No
Total	1,019,697	/ /		/

4. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	1,306,156	3,014,436
1 to 2 years	18,018,169	18,069,543
2 to 3 years	3,829,398	3,827,221
3 to 4 years	4,031,216	4,031,675
4 to 5 years	2,765,316	5,500,551
Over 5 years	356,431	356,433
Total book value	30,306,686	34,799,859
Less: provisions for bad debts	6,218,782	6,169,892
Carrying amount	24,087,904	28,629,967

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount	Book value Amount	Ratio (%)	Provision for bad debts Amount	Ratio (%)	Carrying amount
Individually significant and subject to provision individually (a)	9,235,983	30.48	6,166,887	66.77	3,069,096	9,179,500	26.38	6,117,997	66.65	3,061,503
Subject to provision by groups with credit risk	21,018,808	/	-	/	21,018,808	25,568,464	/	-	/	25,568,464
Group 1	-	-	-	-	-	-	-	-	-	-
Group 2	21,018,808	69.35	-	-	21,018,808	25,568,464	73.47	-	-	25,568,464
Other receivables which are individually insignificant but subject to provision individually	51,895	0.17	51,895	100.00	-	51,895	0.15	51,895	100.00	-
Total	30,306,686	/	6,218,782	/	24,087,904	34,799,859	/	6,169,892	/	28,629,967

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

All amounts in RMB'000

Other receivables (per entity)	Closing balance			Reasons
	Book value	Provision for bad debts	Proportion of provision (%)	
Party 1	6,788,151	3,719,055	54.79	Discounted amount of future cash flows is less than the original book value.
Party 2	2,447,832	2,447,832	100.00	
Total	9,235,983	6,166,887	/	/

(3) Provision for bad debts for the current period was RMB48,890,000, and there was no recovery or reversal of bad debts for the current period.

(4) There were no other receivables written off during the current period.

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XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(5) Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	Closing book value	Opening book value
Subsidiaries of the Company	30,238,367	34,747,386
Guarantees and deposits	51,929	51,920
Others	16,390	553
Total	30,306,686	34,799,859

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

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	Closing balance	Aging	As a percentage of total other receivables (%)	Provision for bad debts at the end of the period
Party 1	Subsidiary	Others	12,938,535	Within 2 years	42.69	–
Party 2	Subsidiary	Others/Advance Money	6,788,151	Within 4 years	22.40	3,719,055
Party 3	Subsidiary	Others	2,656,510	Within 3 years	8.77	–
Party 4	Subsidiary	Others	2,447,832	Within 5 years	8.08	2,447,832
Party 5	Subsidiary	Others	1,125,044	Within 4 years	3.71	–
Total	/	/	25,956,072	/	85.65	6,166,887

5. Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Discount rate interval
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Receivables from related parties and third parties	4,193,864	148,356	4,045,508	5,538,269	141,828	5,396,441	/
Others	2,037	–	2,037	2,037	–	2,037	/
Total	4,195,901	148,356	4,047,545	5,540,306	141,828	5,398,478	/
Less: Long term receivables due within one year	1,327,037	–	1,327,037	2,806,017	–	2,806,017	/
Long term receivables due after one year	2,868,864	148,356	2,720,508	2,734,289	141,828	2,592,461	/

As at 30 June 2016, due to exchange realignment, the carrying amount of long-term receivable from MCC Mining (Western Australia) Pty Ltd. and the provision for bad debts increased by RMB6,528,000 (as at 31 December 2015: decreased by RMB8,694,000).

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	76,653,361	175,034	76,478,327	74,516,738	175,034	74,341,704
Joint ventures and associates	455,237	113,146	342,091	960,617	113,146	847,471
Total	77,108,598	288,180	76,820,418	75,477,355	288,180	75,189,175

(1) Subsidiaries

All amounts in RMB'000

Company name	Opening balance			Closing balance	Provision for impairment losses for the current period	Impairment provision at the end of the period	Closing Balance net of provision
		Increase	Decrease				
Anshan Coking and Refractory Engineering Consulting Corporation	96,608	-	-	96,608	-	-	96,608
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,801,938	-	-	1,801,938	-	-	1,801,938
Northern Engineering & Technology Corporation, MCC	756,885	-	-	756,885	-	-	756,885
Anshan Engineering & Research Incorporation of Metallurgical Industry	69,386	-	-	69,386	-	-	69,386
China MCC 3 Group Co., Ltd.	900,096	-	-	900,096	-	-	900,096
Shen Kan Engineering & Technology Corporation, MCC	184,972	50,000	-	234,972	-	-	234,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	3,594,355	365,000	-	3,959,355	-	-	3,959,355
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	-	110,804
Ramu NiCo Management (MCC) Limited	3	-	-	3	-	-	3
MCC Finance Corporation Ltd.	1,351,790	232,181	-	1,583,971	-	-	1,583,971
MCC Tongsin Resources Ltd.	3,462,899	-	-	3,462,899	-	-	3,462,899
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	6,799,653	-	-	6,799,653	-	-	6,799,653
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	370,541	-	-	370,541	-	-	370,541

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XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current period	Impairment provision at the end of the period	Closing Balance net of provision
MCC Real Estate Group Co., Ltd.	3,914,517	-	-	3,914,517	-	-	3,914,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	-	372,399
MCC TianGong Group Corporation Limited.	2,015,650	-	-	2,015,650	-	-	2,015,650
China 22 MCC Group Co., Ltd.	3,407,199	-	-	3,407,199	-	-	3,407,199
BERIS Group Corporation	774,227	-	-	774,227	-	-	774,227
China ENFI Engineering Co., Ltd.	4,310,884	-	-	4,310,884	-	-	4,310,884
China Second Metallurgical Group Corporation Limited	662,835	-	-	662,835	-	-	662,835
Central Research Institute of Building and Construction Co., Ltd., MCC Group	2,103,939	-	-	2,103,939	-	-	2,103,939
China Huaye Group Co., Ltd.	2,257,137	-	-	2,257,137	-	-	2,257,137
Beijing MCC Equipment Research & Design Corporation Ltd.	473,303	-	-	473,303	-	-	473,303
CISDI Group Co., Ltd.	4,368,886	-	-	4,368,886	-	-	4,368,886
China MCC 5 Group Co., Ltd.	2,094,741	-	-	2,094,741	-	-	2,094,741
China Metallurgical Construction Engineering Group Co., Ltd.	1,185,910	-	-	1,185,910	-	-	1,185,910
China MCC 19 Group Co., Ltd.	2,304,357	-	-	2,304,357	-	-	2,304,357
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	1,591,180	-	-	1,591,180	-	-	1,591,180
MCC Baosteel Technology Services Co., Ltd.	1,091,924	-	-	1,091,924	-	-	1,091,924
China MCC 20 Group Co., Ltd.	1,680,279	-	-	1,680,279	-	-	1,680,279
Shanghai Baoye Group Corp., Ltd.	3,787,511	783,442	-	4,570,953	-	-	4,570,953
Huatian Engineering & Technology Corporation, MCC	1,382,421	-	-	1,382,421	-	-	1,382,421
China MCC 17 Group Co., Ltd.	1,663,743	-	-	1,663,743	-	-	1,663,743
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
Wuhan Iron and Steel Design & Research Incorporation Limited	234,734	-	-	234,734	-	-	234,734
WISDRI Engineering & Research Incorporation Limited	5,158,678	-	-	5,158,678	-	-	5,158,678
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd. (a)	824,010	167,120	-	991,130	-	-	991,130
Changsha Metallurgical Design & Research Institute Co., Ltd. (a)	167,120	-	167,120	-	-	-	-

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

Company name	Opening balance	Increase	Decrease	Closing balance	Provision for impairment losses for the current period	Impairment provision at the end of the period	Closing Balance net of provision
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	223,777	-	-	223,777	-	-	223,777
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	-	-	1,110,635	-	-	1,110,635
MCC Mining (Western Australia) Pty Ltd.	126,807	-	-	126,807	-	126,807	-
MCC Australia Holding Pty Ltd.	48,227	-	-	48,227	-	48,227	-
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Northeast Construction & Development Co., Ltd.	305,191	-	-	305,191	-	-	305,191
MCC Inner Mongolia Construction Investment Co., Ltd.	-	20,000	-	20,000	-	-	20,000
MCC Hainan Investment & Development Co., Ltd.	-	24,000	-	24,000	-	-	24,000
Others	-	662,000	-	662,000	-	-	662,000
Total	74,516,738	2,303,743	167,120	76,653,361	-	175,034	76,478,327

- (a) For the current period, the Company used its equity interest in Changsha Metallurgical Design & Research Institute Co., Ltd. as capital injection into Zhong Ye Chang Tian International Engineering Co., Ltd., both of these two companies are subsidiaries of the Company.

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XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Opening balance net of provision	Movements during the current period								Closing balance net of provision	Impairment Provision at the end of the period
		Increasing investments	Decreasing investments	Share of (losses)/ profits	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current period	Other		
Zhongshan Finance Investment Holdings Co., Ltd.	200,643	-	-	1,417	-	-	-	-	-	202,060	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	9,605	90,000	-	(2,501)	-	-	-	-	-	97,104	-
MCC Jianxin Investment Fund Management Co., Ltd.	25,061	-	-	(2,139)	-	-	-	-	-	22,922	-
Shenzhen MCC Pipe Network Construction and Investment Co., Ltd.	-	20,000	-	5	-	-	-	-	-	20,005	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
Others	612,162	-	-	(162)	-	-	-	-	(612,000)	-	-
Total	847,471	110,000	-	(3,380)	-	-	-	-	(612,000)	342,091	113,146

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

7. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Credit loans	20,114,983	11,120,689
RMB	18,835,612	9,845,612
USD	949,057	900,468
Others	330,314	374,609
Total	20,114,983	11,120,689

(2) As at 30 June 2016, there were no significant short-term borrowings overdue but not yet paid.

(3) As at 30 June 2016, the weighted average interest rate of short-term borrowings was 3.92% per annum (as at 31 December 2015: 4.50% per annum).

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

8. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Items	Closing balance	Opening balance
Subsidiaries	4,375,323	7,540,928
Other related parties within CMGC	371,212	368,471
Others	158,459	153,454
Total	4,904,994	8,062,853

(2) At the end of the period, the Company had no significant other payables aged over 1 year.

9. Non-current liabilities due within one year

All amounts in RMB'000

Items	Closing balance	Opening balance
Long-term borrowings due within one year (Note XVI10)	3,180,451	5,097,290
Long-term employee benefits due within one year	2,645	2,645
Long-term payable within one year	—	78,980
Total	3,183,096	5,178,915

10. Long-term borrowings

All amounts in RMB'000

Items	Closing balance	Opening balance
Mortgaged loans (a):	950,000	1,142,460
RMB	950,000	1,142,460
Guaranteed loans (b):	150,000	180,000
RMB	150,000	180,000
Credit loans:	4,680,451	6,546,271
RMB	2,000,000	3,050,000
USD	2,680,451	3,496,271
Total	5,780,451	7,868,731
Less: Long-term borrowings due within one year (Note XVI9):	3,180,451	5,097,290
Including: Mortgaged loans	350,000	342,460
Guaranteed loans	100,000	80,000
Credit loans	2,730,451	4,674,830
Long-term borrowings due over one year	2,600,000	2,771,441

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XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

10. Long-term borrowings (Continued)

- (a) As at 30 June 2016, borrowings of RMB950,000,000 (as at 31 December 2015: RMB1,142,460,000) were secured by the mortgage of inventory in an aggregate amount of RMB1,693,205,000 (as at 31 December 2015: RMB1,684,544,000) of a subsidiary of the Company, China 22MCC Group Co., Ltd.
- (b) As at 30 June 2016, certain guaranteed loans of RMB150,000,000 (as at 31 December 2015: RMB180,000,000) were guaranteed by a subsidiary of the Company, MCC Finance Corporation Ltd.
- (c) As at 30 June 2016, the weighted average interest rate of long-term borrowings was 4.44% per annum (as at 31 December 2015: 4.60% per annum).

11. Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	699,262	664,773	842,868	842,868
Other business	—	—	250,309	118,773
Total	699,262	664,773	1,093,177	961,641

(a) Classified by industries:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Engineering contracting	662,828	842,868
Others	36,434	—
Total	699,262	842,868

(b) Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
China	38,029	—
Other countries/regions	661,233	842,868
Total	699,262	842,868

XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Operating revenue and operating costs (Continued)

(c) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	642,432	91.87

12. Impairment losses on assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Bad debt provision	59,672	(9,710)
Total	59,672	(9,710)

13. Investment Income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Investment incomes under cost method	783,442	—
Investment incomes under equity method	(3,380)	—
Total	780,062	—

There is no major restriction of investment income repatriation to the Company.

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XVI NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

14. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit or loss	488,423	(194,397)
Add: Provision for impairment losses of assets	59,672	(9,710)
Depreciation of fixed assets and amortization of investment properties	1,520	1,708
Amortization of intangible assets	1,281	1,320
Losses(gains) on disposal of fixed assets, intangible assets and other long-term assets	10	(173,484)
Financial expenses	154,094	319,642
Gains arising from investments	(780,062)	—
Increase in inventories	(278,594)	(501,773)
(Increase)decrease in receivables from operating activities	(36,931)	70,390
Increase in payables from operating activities	445,489	551,454
Net cash flows from operating activities	54,902	65,150
2. Net changes in cash and cash equivalents:		
Closing balance of cash	1,509,157	2,984,996
Less: Opening balance of cash	2,727,147	7,025,950
Net decrease in cash and cash equivalents	(1,217,990)	(4,040,954)

(2) Cash and cash equivalents

All amounts in RMB'000

Items	Closing balance	Opening balance
I. Cash	1,509,157	2,727,147
Including: Cash on hand	296	107
Bank deposits without restriction	1,508,861	2,727,040
Other monetary funds without restriction	—	—
II. Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
III. Closing balance of cash and cash equivalents	1,509,157	2,727,147

XVII SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current period
Profit or loss on disposal of non-current assets	44,126
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.)	260,264
Other non-operating income or expenses other than the above items	29,944
Change of fair value of financial instruments at FVTPL and profit or loss of disposal of financial instruments at FVTPL and available-for-sale assets except for those gain/loss relating to the hedging transactions under the company's normal operating business	15,506
Profit or loss on disposal of long-term equity investments	409,347
Impact on income tax	(71,261)
Impact on non-controlling interests	(61,074)
Total	626,852

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	4.22	0.11	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.00	0.08	Not applicable

Documents for Inspection

Documents for Inspection	Financial statements signed and sealed by the legal representative, the person-in-charge of accounting and the head of the accounting firm
	The original audit report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
	Originals of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the Reporting Period

Chairman: Guo Wenqing
Date of Approval from the Board: 26 August 2016



Address: No. 28 Shuguang Xili, Chaoyang District, Beijing, China
Website: www.mccchina.com
Tel: + 86-10-5986 8666
Fax: + 86-10-5986 8999
Postal Code: 100028
E-mail: ir@mccchina.com

