



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

2019 INTERIM REPORT



* For identification purpose only

Important Notice

- I. The Board and the Supervisory Committee of the Company and its Directors, Supervisors and senior management warrant that the contents of this interim report are true, accurate and complete without false representations, misleading statements or material omissions, and they severally and jointly accept legal responsibility for the above warranty.
- II. Directors of the Company attended the sixth meeting of the third session of the Board convened on 30 August 2019. 6 out of 7 eligible Directors attended the meeting. Ren Xudong, a Director, did not attend the meeting due to other business engagements and authorized Chan Ka Keung Peter, a Director, in writing to attend the meeting and exercise the voting right on his behalf upon consideration of the resolutions.

Position of the absent Director	Name of the absent Director	Reason for the absence of the Director	Name of the appointee
Independent Director	Ren Xudong	Due to other business engagements	Chan Ka Keung Peter

- III. The interim financial statement of the Company for the first half of 2019 has been reviewed by Deloitte Touche Tohmatsu LLP, but has not been audited. Deloitte Touche Tohmatsu CPA LLP issued a review report of unqualified opinion report to the Company.

- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and Chief Accountant of the Company, and Fan Wanzhu, the Head of the Financial Planning Department have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.

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

The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors and investors are reminded 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. Warning of major risks

1. International and domestic macroeconomic trends

All business operations of the Company are affected by the international and domestic macroeconomic environment. Macroeconomic trends inside or outside China may have an impact on various business segments of the Company, including procurement, production and sale, thereby causing fluctuations in the Company's operating performance. The Company's operating income is mainly derived from the domestic market. Since the beginning of this year, in the context of complicated and tough domestic macroeconomic climate, economic operation has remained stable as a whole under the strong leadership of the CPC Central Committee, but is still subject to great downward pressure. Its business operations may perform differently in various domestic economic cycles.

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

The Company's engineering contracting, property development and equipment manufacturing businesses were all influenced by the policies of the industry. In recent years, the adjustments to the business fields and the regional market layout 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 PRC's implementation of Made in China 2025, a nation strengthening strategy focusing on manufacturing industries, and implementation of region-specific regulatory policies and category-specific guidance on the property industry, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, and thereby influencing the Company's internal structure and hence influencing the Company's financial position.

- IX. Others

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



Contents

Definitions	4
Chairman's Statement	6
Company Profile and Major Financial Indicators	8
Report of Directors	17
Business Discussion and Analysis	35
Significant Events	54
Changes in Ordinary Shares and Particulars of Shareholders	78
Particulars of Directors, Supervisors and Senior Management	83
Corporate Bonds	88
Financial Statements and Review Report	95
Documents for Inspection	320

Definitions

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

“Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“State Council”	the State Council of the People’s Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SSE”	the Shanghai Stock Exchange
“Shanghai Listing Rules” or “A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “CMGC”	China Metallurgical Group Corporation
“China Minmetals”	China Minmetals Corporation
“Shareholders’ Meeting”	the shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of Directors of Metallurgical Corporation of China Ltd.*
“Director(s)”	the director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director” or “Independent Non-executive Director”	a Director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*

Definitions

"Reporting Period"	from 1 January 2019 to 30 June 2019
"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 SSE and traded in RMB
"H Share(s)"	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
"connected person(s)"	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong, PRC
"USD"	United States dollars, the lawful currency of the United States
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Hong Kong Listing Rules

Chairman's Statement

Chairman
Guo Wenqing



Chairman's Statement

Dear Shareholders:

It is not an easy task to start and maintain an enterprise, and results are achieved only by hard work. In the first half of the year, MCC adhered steadfastly to the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality”. The Company ensured its steady growth towards proper and clear directions while endeavouring to advance in its development. Results of our operation have yet again broken another record and reached a new height during the “Mid-term”.

During the Reporting Period, the operating revenue amounted to RMB159.017 billion, representing a year-on-year growth of 26.09%. Total profit was RMB4.882 billion, increasing by 4.69% year on year, of which net profit attributable to Shareholders of the Company recorded RMB3.157 billion, increasing by 8.59% year on year; newly signed contracts amounted to RMB381.5 billion, representing a year-on-year increase of 20.49%. Quality of the contracts continued to improve, the newly signed individual contracts with value of more than RMB500 million reached RMB206.611 billion, accounting for 56.37% of all newly-signed projects. The Company has made new achievements in scientific and technological innovation, resulting in emerging in major innovation results. One national enterprise technology center has been approved and the number of science and technology platforms with national level has increased to 25; A total of 3,072 patent applications were filed in the first half of the year, of which 1,828 are newly authorized patents, accumulating 26,600 effective patents as at the end of the Reporting Period, further improving the quality of its patents. Following the lead in winning the first prize of the 2018 National Science and Technology Progress Award, the Company has passed five preliminary evaluations for and completed public announcement of the National Science and Technology Awards with two leading and three participating nominations. MCC has shown steady growth trend for substantial development.

New eras foster new ideas, and new ideas bring forth new development. High quality development has become a fundamental requirement for the Company's current and future developments, and the route MCC must take in order to survive and thrive. In the face of increased instability and uncertainty around the globe, as well as the shortfall in sustainability of economic growth, downward pressure on the China's economy intensified. In the process of high quality “upgrading”, we will further increase our sense of crisis, grasp the long-term trend, be adapted to turn peril into safety, and perfect our trade. We will adhere unflinchingly to supply-side structural reform, forge “Five in One” – industry competitiveness, innovation competitiveness, market competitiveness, management competitiveness and talent competitiveness high-quality supporting system of development, reinventing new advantages and reigniting new kinetic energy, realize a “better MCC” for steady growth and longstanding prosperity.

- **Forge high-quality development of industry competitiveness.** We will stand our ground in forging the world's top “national team” for metallurgical construction, adamantly aimed at the top technology, speed up core technology replacement, thus realizing advancement of core technologies to remain at the top of the market; aiming resolutely at system control. MCC will push ahead with optimization by industry chain consolidation advantages, so as to retain its irreplaceable role in the industry. We are well-positioned to achieve sustainable growth through business model innovation and re-kindling of our business. We will focus on “differentiation, specialization, brand extensions” development strategy, persistently forge “the main force for fundamental construction and the forerunner of the emerging industries”, accelerate to become a world-class city, and a provider of systematic solutions for industrial development as well as full-life-cycle services for engineering projects.
- **Create innovative competitiveness with high quality development.** We will adhere to the market orientation, connect scientific research projects with the market demand, examine and create benefits in the market, adhere to the principle of technological productization and industrialization of products, and develop, productize and industrialize a batch of products; We will continue to strengthen our synergistic development by fully integrating our resource deployment and fully utilize the comparative advantage of central enterprises in tackling major events, and continue to optimize the system of technological innovation and stimulate innovation and vitality.
- **Forge market competitiveness with high quality development.** We will consolidate, reinforce, raise and disentangle domestic markets, adhere to “Herd sheep on the grassland and catch fish at the fishing grounds”, thoroughly penetrate and strengthen existing markets, fill up vacant areas, cultivate the local market, materialize upgrading of the market structure and free up the potential of growth for the sub-enterprises. Resolve into, reconcile, recompense overseas shortcomings, resolutely break away from reliance, substantialize and strengthen two platform companies; persist in maintaining stability, constantly improve standardization and refinement of the management of overseas businesses; adhere to excellence, deepen the focus on cultivating key areas, comprehensively sort out customer resources, strengthen the management of project lifecycle and ensure solid and sound operation for overseas businesses.
- **Forge administrative competitiveness with high quality development.** We will restlessly take over the construction of project management and control platform, highlight and strengthen high efficiency of project management. We will give good performance first, to cut cost, increase profit and secure bids. Second, administer the operation and secure profits. Third, strengthen clearance and seek results; We will restlessly take over the enhancement of management effectiveness, forge a coordinated and highly effective management mechanism, establish a customer-oriented operating mechanism, construct a shared-value operating system, and implement highly efficient and high-quality management and control systems to ensure high-quality strategic and tactical results.
- **Forge talent competitiveness with high quality development.** We will adhere great importance to forging a talent team with optimized structure, reasonable ladder, excellent quality, ardent love for the enterprise and devotion. We will reinforce the construction of MCC's talent team, ensure “one stability”, and continue to maintain the allocation of human resources in nineteen business units of the eight major sections of the “National Team”; Achieve “three optimizations” on academic framework, professional title framework and knowledge framework; and focus on the formulation of the “Five Teams” of high-level MCC talents, MCC technological research and development talents, high-skilled MCC talents, MCC project management talents and MCC international talents.

There are no boundaries for aspirations. We will always unyieldingly adhere to the strategy of “focusing on the core business in building a better MCC” and the enterprise spirit of “Make progress every day, and do not slacken the pace”, with concerted efforts we will carry forward the cause towards the goal of high-tech, high quality and sustainable development ahead, and strive to create new and greater value for the country, the shareholders, the society and our employees!

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Company Profile and Major Financial Indicators

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

MCC is one of the largest comprehensive groups of engineering and construction in the PRC and the world. At present, the A Shares of the Company have been selected to be a constituent stock of the SSE Central State-owned Enterprises Index, MSCI Concept Index, Central State-owned Enterprises Innovation Index and 300 Innovation Index, etc.; while the H Shares have been selected to be a constituent stock of Hang Seng Composite Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Mainland Composite Index and Hang Seng Infrastructure 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 PERSONS AND CONTACT METHOD

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

Company Profile and Major Financial Indicators

III. CHANGES IN BASIC INFORMATION

Registered address of the Company	28 Shuguang Xili, Chaoyang District, Beijing, PRC
Postal code of registered address of the Company	100028
Business address of the Company in the PRC	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC
Postal code of the business address of the Company in the PRC	100028
Place of business of the Company in Hong Kong	Room 3205, 32/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong, PRC
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, PRC
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 information disclosure designated by the Company	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Website designated by the CSRC for publication of interim report	http://www.sse.com.cn
Place where interim report of the Company is available for inspection	MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing, PRC

V. SHARES OF THE COMPANY

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

Company Profile and Major Financial Indicators

VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	Deloitte Touche Tohmatsu CPA LLP
	Office address	30th Floor, Bund Center, 222 Yan An Road East, Shanghai, PRC
	Signing auditors of the review report	Chen Wenlong, Zhou Hongyu
Sponsor performing continuous supervisory duty during the Reporting Period	Name	CITIC Securities Company Limited
	Office address	23/F, CITIC Securities Tower, 48 Liangmaqiao Road, Chaoyang District, Beijing, PRC
	Signing representatives of sponsor	Yang Bin, Chen Shumian
	Period of continuous supervision	CITIC Securities Company Limited acted as the sponsor for the initial public offering of A Shares of MCC on 21 September 2009, and its continuous supervisory period expired on 31 December 2011. As the A Shares proceeds raised by MCC have not been fully utilized, CITIC Securities Company Limited continues to supervise MCC on the use of A Shares proceeds, and performs the relevant continuous supervisory duties after the expiry of continuous supervisory period. CITIC Securities Company Limited, acting as the sponsor for the non-public issuance of A Shares of MCC (the share registration was completed on 6 January 2017), performed sponsoring duty for the management and use of proceeds from the non-public issuance of A Shares of the Company and carried out continuous supervisory work.
PRC legal advisor appointed by the Company	Name	Beijing Jia Yuan Law Offices
	Office address	F408 Ocean Plaza, 158 Fu Xing Men Nei Avenue, Xicheng District, Beijing
Overseas legal advisor appointed by the Company	Name	Latham & Watkins LLP
	Office address	18th Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong, PRC

Company Profile and Major Financial Indicators

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(I) Major accounting data

Unit: RMB'000

Major accounting data	For the Reporting Period (January – June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year (%)
Operating revenue	159,017,379	126,112,573	26.09
Net profit attributable to Shareholders of the listed Company	3,156,882	2,907,197	8.59
Net profit attributable to Shareholders of the listed Company after deducting non-recurring profits and losses	2,962,289	2,971,779	-0.32
Net cash flow generated from operating activities	(5,232,028)	(8,106,592)	N/A

	End of the Reporting Period	End of the previous year	Increase/decrease for the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to Shareholders of the listed Company	86,089,228	83,943,362	2.56
Total assets	453,975,355	438,915,843	3.43

(II) Major financial indicators

Major financial indicators	For the Reporting Period (January – June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year (%)
Basic earnings per share (RMB/Share)	0.13	0.12	8.33
Diluted earnings per share (RMB/Share)	N/A	N/A	N/A
Basic earnings per share after deducting non-recurring profits and losses (RMB/Share)	0.12	0.12	Flat
Weighted average return on net assets (%)	3.94	3.75	Increased by 0.19 percentage point
Weighted average return on net assets after deducting non-recurring profits and losses (%)	3.66	3.85	Decreased by 0.19 percentage point

Company Profile and Major Financial Indicators

(III) Financial summary

1. Overview

The highlights of the Company's financial position as at 30 June 2019 and the operating results for the six months ended 30 June 2019 are as follows:

- Operating revenue amounted to RMB159,017 million, representing a year-on-year increase of RMB32,904 million or 26.09% from RMB126,113 million in the first half of 2018.
- Net profit amounted to RMB3,778 million, representing a year-on-year increase of RMB279 million or 7.98% from RMB3,499 million in the first half of 2018.
- Net profit attributable to Shareholders of the Company amounted to RMB3,157 million, representing a year-on-year increase of RMB250 million or 8.59% from RMB2,907 million in the first half of 2018.
- Basic earnings per share amounted to RMB0.13, and the basic earnings per share in the first half of 2018 amounted to RMB0.12.
- As at 30 June 2019, total assets amounted to RMB453,975 million, representing an increase of RMB15,059 million or 3.43% from RMB438,916 million as at 31 December 2018.
- As at 30 June 2019, total Shareholders' equity amounted to RMB105,509 million, representing an increase of RMB2,840 million or 2.77% from RMB102,669 million as at 31 December 2018.
- Newly signed contracts amounted to RMB381,500 million, representing an increase of RMB64,900 million or 20.49% from RMB316,600 million in the first half of 2018.

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

2. Revenue from Principal Business Segments

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

(1) Engineering Contracting Business

Operating revenue amounted to RMB145,075 million, representing an increase of RMB33,837 million or 30.42% from RMB111,238 million in the first half of 2018.

(2) Property Development Business

Operating revenue amounted to RMB10,385 million, representing a decrease of RMB103 million or -0.98% from RMB10,488 million in the first half of 2018.

(3) Equipment Manufacture Business

Operating revenue amounted to RMB3,728 million, representing an increase of RMB465 million or 14.26% from RMB3,263 million in the first half of 2018.

(4) Resource Development Business

Operating revenue amounted to RMB2,269 million, representing a decrease of RMB944 million or -29.39% from RMB3,213 million in the first half of 2018.

(5) Other Businesses

Operating revenue amounted to RMB1,683 million, representing an increase of RMB17 million or 0.98% from RMB1,666 million in the first half of 2018.

Note: The segment revenue and segment gross margin are before inter-segment eliminations; the percentages of increase or decrease are calculated by rounding to whole number of RMB.

Company Profile and Major Financial Indicators

3. Summary of financial statements

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

(1) Consolidated Income Statement

Unit: RMB'000

Item	January to June 2019	January to June 2018
I. Total operating revenue	159,017,379	126,112,573
Including: Operating revenue	159,017,379	126,112,573
II. Total operating costs	153,294,197	119,373,832
Including: Operating costs	141,523,492	110,641,099
Taxes and levies	1,191,138	1,190,698
Selling expenses	1,030,968	830,485
Administrative expenses	4,147,974	3,826,959
Research and development expenses	3,716,817	1,447,867
Financial expenses	1,683,808	1,436,724
Including: Interest expenses	2,386,058	1,953,929
Interest income	1,149,521	1,009,496
Add: Other income	76,097	72,940
Investment (loss) income	(198,337)	62,708
Including: Losses of investments in associates and joint ventures	(41,053)	(36,310)
Loss recognised in termination of financial assets carried at amortised costs	(249,984)	(28,441)
(Loss) Gains from changes in fair values	(3,711)	8,189
Credit impairment losses	(764,520)	(1,039,010)
Asset impairment losses	(28,970)	(970,746)
Gains on disposal of asset	20,560	36,944
III. Operating profit	4,824,301	4,909,766
Add: Non-operating income	103,259	203,788
Less: Non-operating expenses	45,371	449,906
IV. Total profit	4,882,189	4,663,648
Less: Income tax expenses	1,103,931	1,164,680
V. Net profit	3,778,258	3,498,968
(I) As classified by continuity of operation		
Net profit from continuing operations	3,778,258	3,498,968
Net profit from discontinued operations	—	—
(II) As classified by vested ownership		
Net profit attributable to Shareholders of the Company	3,156,882	2,907,197
Profit or loss of minority Shareholders	621,376	591,771

Company Profile and Major Financial Indicators

Item	January to June 2019	January to June 2018
VI. Other comprehensive income, net of income tax	(2,596)	(171,555)
Other comprehensive income attributable to Shareholders of the Company, net of income tax	(1,921)	(163,855)
(I) Items that will not be reclassified to profit or loss	19,427	(203,907)
1. Change in re-measurement of defined benefit obligations	410	(120,171)
2. Change in fair value of investment in other equity instruments	19,017	(83,736)
(II) Items that may be reclassified subsequently to profit or loss	(21,348)	40,052
1. Other comprehensive income of convertible profit or loss under the equity method	(27)	20
2. Changes in fair value of receivables at FVTOCI	(43,335)	-
3. Exchange differences on translating foreign currency statements	22,014	40,032
Other comprehensive income attributable to non-controlling interests, net of income tax	(675)	(7,700)
VII. Total comprehensive income	3,775,662	3,327,413
Total comprehensive income attributable to Shareholders of the Company	3,154,961	2,743,342
Total comprehensive income attributable to non-controlling interests	620,701	584,071
VIII. Earnings per share		
(I) Basic earnings per share (RMB/share)	0.13	0.12
(II) Diluted earnings per share (RMB/share)	N/A	N/A

(2) Summary of Consolidated Total Assets and Total Liabilities at the end of June 2019

Unit: RMB'000

	30 June 2019	31 December 2018
Total assets	453,975,355	438,915,843
Total liabilities	348,466,026	336,246,399
Total Shareholders' equity	105,509,329	102,669,444

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

Applicable Not Applicable

Company Profile and Major Financial Indicators

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

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (if applicable)
Profit or loss on disposal of non-current assets	20,560	Note 17
Tax refund or exemption in relation to documents of unauthorized approval or without formal approval or of incidental nature	—	—
Government grants recognized in profit or loss (except for the government grants that are closely related to the business of the Company and received in accordance with the uniform state's regulations)	175,234	Note 17
Fund possession cost paid by non-financial enterprises and recorded under current profit and loss	—	—
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	—	—
Profit/loss of non-monetary asset swap	—	—
Profit/loss from entrusted investment or asset management	—	—
Provision for impairment of assets due to force majeure i.e. natural disaster	—	—
Profit/loss from debt restructuring	—	—
Corporate restructuring expenses, i.e. expenses on employee placement, integration costs, etc.	—	—
Profit/loss from the excess of the fair value of a transaction of unfair consideration	—	—
Current net profit/loss of subsidiaries resulting from merger of enterprises under common control from the beginning of the period to the date of merger	—	—
Profit/loss from contingencies irrelevant to the normal operations of the Company	—	—
Profit/loss from the change of fair value of financial assets held for trading, derivative financial instrument, other non-current financial assets and investment income from the disposal of financial assets held for trading, derivative financial instrument, other non-current financial assets except for those gain/loss relating to the hedging transactions under Company's normal operating business	38,266	Note 17
Write back of the provision for impairment of accounts receivable and contract assets that are individually tested for impairment	—	—
Profit/loss from external entrusted loans	—	—
Profit/loss from changes in fair value of investment properties using the fair value model for subsequent measurement	—	—
Effects of one-off adjustment to current profit/loss in accordance with laws and regulations on taxation and accounting, etc.	—	—
Income of entrustment fees from entrusted operations	—	—
Other non-operating income or expenses other than the above items	25,599	Note 17
Other profit or loss items that fall within the meaning of non-recurring profit and loss	147	Note 17
Impact on non-controlling interests	(22,481)	Note 17
Impact on income tax	(42,732)	Note 17
Total	194,593	Note 17

Company Profile and Major Financial Indicators

X. MAJOR FINANCIAL DATA FOR 2019 BY QUARTERS

Unit: RMB'000

	First quarter (January– March)	Second quarter (April– June)
Operating revenue	63,106,772	95,910,607
Net profit attributable to the shareholders of the Company	1,766,899	1,389,983
Net profit attributable to the shareholders of the Company, net of non-recurring profit or loss	1,682,490	1,279,799
Net cash flow from operating activities	(13,935,490)	8,703,462

I. EXPLANATION FOR THE PRINCIPAL BUSINESSES AND OPERATING MODELS OF THE COMPANY AND THE INDUSTRIES IN WHICH THE COMPANY WAS INVOLVED DURING THE REPORTING PERIOD

(I) Engineering Contracting Business

1. Industry Overview

In the first half of 2019, China's economy continued to operate within a reasonable range, maintained the development momentum of overall stability and steady progress, and featured stable and improved production, increasing demand, stable price movement, enhanced innovation-driven development, etc. The growth rate of investment in manufacturing rebounded at a low level and in particular, a faster growth was observed in high-tech manufacturing; The investment in real estate development maintained a relatively rapid growth. The national investment in fixed assets (excluding farmers) amounted to RMB29,910.0 billion, representing a year-on-year increase of 5.8% as compared with that of last year.

In the first half of 2019, a relatively stable operation momentum was seen in the iron and steel industry, as evidenced by increase in both output and export volume. In the current era of "development with reduced capacity" of the iron and steel industry, iron and steel enterprises are attaching more importance to technological innovation and the development of high-end products, and strived to speed up environmental protection reforms, structural adjustments as well as transformation and upgrade. There are increasing new opportunities for transformation and upgrading, energy saving and environmental protection and operation service in the domestic iron and steel industry, and the whole sector has relatively strong market demand for green development, smart development and top-level operation service, which provided numerous opportunities for the Company to strive for achieving "further advancement, further optimization and further re-creation of the national team for metallurgical construction" in its traditional core business.

In the first half of 2019, the investment in infrastructure (excluding power, heating, gas and water production and supply industry) across the country showed a year-on-year increase of 4.1%. With the further advancement of supply-side structural reform and the effective implementation of national strategies and schemes including the coordinated development of the Beijing, Tianjin, and Hebei Region (京津冀協同), Xiong'an New Area, the construction of the Yangtze River Economic Belt, and "Guangdong-Hong Kong-Macao" Greater Bay Area, the construction of infrastructure and urbanization in China has further sped up. Emerging industries maintained strong momentum. Businesses related to these emerging industries, including theme park, sponge city, comprehensive improvement of water environment, smart city and beautiful countryside construction, prefabricated buildings and senior life and healthcare, will embrace great potential for development.

In the first half of 2019, we are faced with both opportunities and challenges in the development of overseas business. Market opportunities were mainly brought by expected continuity of slow growth of global economy, recovery of infrastructure construction and consistent large demand for investment; in-depth implementation of the "Belt and Road" initiative, which provided a continuous strong motivation for industry development; and strong endogenous growth driver of overseas contracted engineering industry. Meanwhile, the development of overseas business was also challenged by risks such as huge fund gap in global infrastructure, great difficulty in implementing projects and increasing external risks.

Report of Directors

2. The Operating Results of the Business

During the Reporting Period, the new construction contracts of the Company amounted to RMB366.5 billion, representing a year-on-year increase of 22.3%, further creating a record high. Newly signed metallurgical engineering contracts amounted to RMB64.8 billion, accounted for 17.7% of the new contracts, representing an increase of 45.5% as compared with the same period of 2018. Newly signed non-steel engineering contracts amounted to RMB301.7 billion, accounted for 82.3% of the new contracts, representing an increase of 18.3% as compared with the same period of 2018. Newly signed overseas contracts amounted to RMB13.1 billion.

The overall operating results of the engineering contracting business in the first half of 2019

Unit: RMB'000

	The first half of 2019	% of the total	The first half of 2018	Year-on-year increase/decrease
Segment operating revenue	145,074,533	88.93%	111,238,227	30.42%
Gross margin (%)	9.39	—	9.63	Decreased by 0.24 percentage point

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

(1) Metallurgical Engineering Construction Business

As the world's largest and most powerful metallurgical construction contractor and metallurgical enterprise operation service provider, during the Reporting Period, the Company regarded being the national team of the world's top metallurgical construction as its target. Closely keeping up with the pace of adjustment to the layout and upgrading of domestic iron and steel industry, the Company established the core technology and control capabilities in eight major parts and nineteen units of the traditional metallurgical procedure of the Company, thereby strengthening high-end leadership. In terms of market expansion, the Company paid attention to leveraging the advantages of the entire industry chain and firmly seized the opportunity brought by the positive development momentum of the metallurgical industry to actively strengthen connections with strategic customers and take the initiative to implement unified coordination and arrangement, and conduct overall marketing on major metallurgical projects. While ensuring that large and medium-sized projects of major iron and steel companies keep up with pace, the Company firmly consolidated the status of being the "national team for metallurgical construction".

In overseas market, the Company mainly developed and implemented iron and steel, nonferrous engineering and special engineering projects, and undertook projects under EPC, EPC+F, and EPC+pre-planning and operation. The Company proposed to win customers with "engagement in early and later stages", i.e., materialisation of transformation from bidding for a project to operating a project through early intervention, provision of value-added service, assisting in credit enhancement for financing; and then materialisation of expansion and extension of service scope through "engagement in later stage", in order to improve success rate of project marketing.

Report of Directors

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

Unit: RMB'000

Items of revenue	In the first half of 2019		In the first half of 2018		In the first half of 2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	29,393,644	20.26	26,233,380	23.58	21,156,717	24.36

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

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

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
1	Engineering General Contracting Project for Major and Ancillary Steel Making Facilities (Phase I) of Fangchenggang Steel Base in Guangxi Province (廣西防城港鋼鐵基地項目(一期)一煉鋼主體設施及輔助設施工程總承包項目)	17.5	WISDRI Engineering & Research Incorporation Limited
2	3,800mm Middle and Thick Plate Production Line Redevelopment Project for Yingkou Jinghua Iron and Steel Co., Ltd. in Liaoning Province (遼寧省營口京華鋼鐵有限公司3,800mm中厚板生產線續建項目)	15.4	MCC Capital Engineering & Research Incorporation Limited
3	General Contracting Project of Steel-making Engineering for Environmental Protection Product Upgrading of HBIS Shijiazhuang Iron & Steel Co., Ltd. (河鋼集團石家莊鋼鐵有限責任公司環保搬遷產品升級改造項目煉鋼工程總承包項目)	15.4	MCC Capital Engineering & Research Incorporation Limited
4	OBI Nickel-Cobalt Project in Indonesia (印度尼西亞OBI鎳鈷項目)	12.6	Shanghai Baoye Group Corp., Ltd.
5	New Steel-making Project of Baosteel Desheng Luoyuan Stainless Steel Co., Ltd. in Luoyuan County, Fujian Province (福建省羅源縣寶鋼德盛不銹鋼有限公司新煉鋼(一步)工程項目)	11.2	China MCC 17 Group Co., Ltd.
6	General Contracting Project of Blast Furnace Engineering for Reorganization, Relocation, Renovation of Taihang Iron and Steel (太行鋼鐵重組搬遷改造項目高爐工程總包)	10.6	CISDI Group Corp. Ltd.
7	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Minguang) and Ancillary Project of H-shaped Steel Production Line with Annual Output of 1.3 Million Tons of San Gang Group of Fujian Luoyuan Minguang Iron & Steel Co., Ltd. (福建羅源閩光鋼鐵有限責任公司三鋼集團產能置換(羅源閩光部分)及配套項目年產130萬噸H型鋼生產線EPC總承包項目)	10.5	Huatian Engineering & Technology Corporation, MCC

Report of Directors

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
8	Construction Project (Section II) for Hot Rolling Engineering of No. 3 Blast Furnace System of Baosteel Zhanjiang Iron & Steel (寶鋼湛江鋼鐵三高爐系統項目熱軋工程2標施工項目)	9.0	China MCC 20 Group Co., Ltd.
9	EPC General Contracting Supplemental Agreement on 5# and 6# Coke Oven Environmental Protection Relocation Project of Tangshan Ganglian Coking Co., Ltd. (唐山鋼聯焦化有限責任公司5#、6#焦爐環保搬遷工程EPC總承包補充協議)	9.0	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
10	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Min Guang) and 1 * 120t Converter Steel-making Project of Ancillary Project for San Gang Group (三鋼集團產能置換(羅源閩光部分)及配套項目1 * 120t轉爐煉鋼工程EPC總承包項目)	8.8	MCC Capital Engineering & Research Incorporation Limited
11	Coking Engineering of No. 3 Blast Furnace System of Baosteel Zhanjiang Iron & Steel (寶鋼湛江鋼鐵三高爐系統項目煉焦工程)	7.8	China MCC 5 Group Co., Ltd.
12	Iron-processing Project for No. 3 Blast Furnace System of Zhanjiang Iron & Steel (湛江鋼鐵三高爐系統項目煉鐵工程)	7.1	Shanghai Baoye Group Corp., Ltd.
13	EPC General Contracting Project for Construction of R&D Center for Industry Upgrade of HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company (河鋼產業升級及宣鋼產能轉移項目研發中心建設EPC總承包項目)	7.0	MCC Capital Engineering & Research Incorporation Limited
14	Blast Furnace Engineering Project for Phase 3 Equipment and Technology Renovation Project of Xusteel Group (徐鋼集團三期裝備技改項目高爐工程項目)	6.6	CISDI Group Corp. Ltd.

(2) Non-Steel Engineering Construction Business

① Fundamental Construction

During the Reporting Period, in the field of fundamental construction, by adhering to the marketing concept of “wealth at high end”, focused on local market where the enterprise is based, focused on five urban agglomerations, national central cities, Xiong'an New Area, Beijing's sub-center and regions along “Belt and Road” and other hot regions, focused on high-end major projects, strategic clients, enhanced cooperation with strategic clients including local government and major enterprises, consolidated and expanded its “Circle of Friends”, followed market focus and made breakthrough in respect of high end projects.

During the Reporting Period, on the one hand, with reference to market conditions and regulatory requirements, the Company timely adjusted and implemented its approach of the PPP business, further tightened risk control, strengthened project introduction, expanded the scale and improved the quality of individual projects and controlled the total number of projects; on the other hand, priority was put on the implementation of projects at hand. The Company continued to implement engineering projects under PPP model and seized the strategic opportunity to strengthen market development, expand its business scale, raise its new contract amount, and drive its transformation and upgrade. In the first half of 2019, the Company won the bids for 14 new PPP projects and the total investment amount was RMB40.5 billion. In terms of industry distribution, the PPP projects mainly included municipal engineering, transportation, water conservancy construction, tourism, sports and technology.

Report of Directors

Closely following the national “Belt and Road” initiative and in the light of factors including development trend of global iron and steel market, demographic dividend and development potential of emerging markets, the Company mainly established its presence in markets in 20 countries/regions in South Asia, Southeast Asia, West Asia, Africa, South America, Europe and Oceania and paid close attention to other 3 potential markets. Overall, overseas markets where the Company operates are highly concentrated in developing countries in Southeast Asia, South Asia and Middle East. The Company also has established its presence in developed countries in Europe and Americas and will continue to pay close to its existing markets. Currently, the Company has established 142 overseas institutions for engineering and 10 overseas institutions for mining in 56 countries and regions, 152 in total, including 87 overseas institutions in 32 countries and regions along the “Belt and Road”.

During the Reporting Period, the Group brought its quality marketing to a new level, as evidenced by increased amount and better quality of newly signed contracts. In the first half of the year, the Group signed 186 new domestic major engineering contracting contracts with an amount exceeding RMB500 million, with an aggregate contract amount of RMB206,611 million, representing a year-on-year increase of 50 projects and RMB29,766 million, respectively.

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

Unit: RMB'000

Items of revenue	In the first half of 2019		In the first half of 2018		In the first half of 2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction engineering	67,438,866	46.49	43,267,674	38.90	42,046,646	48.41
Transportation infrastructure	31,022,810	21.38	27,745,846	24.94	20,103,977	23.15
Other engineering	17,219,213	11.87	13,991,327	12.58	3,541,056	4.08

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

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

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
1	General Contracting (EPC) Project for Comprehensive Renovation of High-tech Avenue (Third Ring Road – Outer Ring Road) in Wuhan City, Hubei Province (湖北省武漢市高新大道(三環線—外環線)綜合改造工程總承包(EPC)項目)	40.9	WISDRI Engineering & Research Incorporation Limited
2	Municipal Road Construction Project (Section II) for Qinghu South Section of Meiguan Expressway in Shenzhen City (深圳市梅觀高速清湖南段市政道路工程施工二標段項目)	39.6	China MCC 20 Group Co., Ltd.

Report of Directors

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
3	EPC+O (Survey and Design, Procurement, Construction + Operation) Project for Black and Odorous (Substandard) Water Control and Improvement (Project III) in the Central Part of Zhongshan City, Guangdong Province (廣東省中山市中心組團黑臭(未達標)水體整治提升工程(項目三)EPC+O(勘察設計、採購、施工+運營)項目)	39.6	Huatan Engineering & Technology Corporation, MCC
4	Engineering and Construction Contract for PPP Project of Infrastructure and Ancillary Services of Ganjiang Bingang Industrial City in Yuhuan City, Zhejiang Province (浙江省玉環市幹江濱港工業城基礎設施及服務配套PPP項目建設工程施工合同)	25.3	MCC TianGong Group Corporation Limited
5	Construction Project of North Section of Tongcheng Avenue (Xiaozhaiba Town – Wujiang River) in Xifeng County, Guiyang City, Guizhou Province (貴州省貴陽市息烽縣同城大道北段(小寨壩至烏江段)建設項目)	19.8	China MCC 17 Group Co., Ltd.
6	General Contracting Project for Phase I Jintang Avenue-Jianyang-Huanglongxi Expressway (The Section from Jianyang-Renshou Expressway – Chengdu-Jianyang Expressway to Airport South Line Section) in Chengdu City, Sichuan Province (四川省成都市金簡黃快速路一期(簡仁快速路-成簡快速路至機場南線段)施工總承包項目)	17.3	China MCC 5 Group Co., Ltd.
7	Construction General Contracting for PPP Project of Beichen East Road, Integrated Piping System and Ancillary Engineering in Beichen District, Tianjin City (天津市北辰區北辰東道道路、綜合管廊及附屬工程PPP項目施工總承包項目)	14.9	China First Metallurgical Group Co., Ltd.
8	Phase I of Comprehensive Habitat Restoration Project (East and West Zones) and Phase II of Collaborative Project by Social Joint Venture (South Zone) (Shaxi Line to Chuan-Shan Road Section) for the Around-city Ecological Zone in Chengdu City, Sichuan Province (四川省成都市環城生態區生態修復綜合項目(東、西片區)一期、(南片區)二期社會合資合作方沙西線至川陝路標段合作項目)	14.3	China MCC 5 Group Co., Ltd.

Report of Directors

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
9	Construction Project of Extension Engineering of Changxing Third Road, Xiaoyun Avenue in Xiaogan City (Connection Line in Yunmeng East Station of Wuhan – Xi'an High Speed Rail)(武西高鐵雲夢東站聯絡線)孝感市孝雲大道長興三路延伸工程施工項目)	12.8	MCC TianGong Group Corporation Limited
10	General Contracting Project for Construction of Overnight Rooms and Ancillary Facilities for Visitors of Meilan Airport in Haikou, Hainan Province (海南省海口市美蘭機場旅客過夜用房及配套施工總承包項目)	12.0	China First Metallurgical Group Co., Ltd.
11	Supplemental Agreement of Financing Construction Contracts for 27 Projects Including Construction Project of Dongshan Avenue and Construction Project of Erliqiao Road in Chengdu City, Sichuan Province (四川省成都市東山大道建設項目、二里橋路建設項目等27個項目融資建設合同之補充協議)	11.0	China MCC 5 Group Co., Ltd.
12	Construction Project for Urban Infrastructure and Ancillary Facilities and Environmental Improvements in Boxing County of Binzhou, Shandong Province (山東省濱州市博興縣城區基礎設施配套及環境提升建設項目)	10.9	MCC TianGong Group Corporation Limited
13	Section I of the PPP Project for Fuquan (Machangping – Longchang) Section of Duyun-Weng'an Urban Main Road in Fuquan City, Guizhou Province (貴州省福泉市都勻至翁安城市主幹道路福泉(馬場坪至龍昌)段PPP項目第I標段)	10.6	China MCC 17 Group Co., Ltd.
14	Construction Project of Tourism Infrastructure – SkyTrain Trial Line from Jinyuan to Anren, Dayi County, Chengdu City, Sichuan Province (四川省成都市大邑縣晉原至安仁旅遊基礎設施-空鐵試驗線項目)	10.5	China MCC 5 Group Co., Ltd.
15	PPP Project for Infrastructure and Supporting Facilities at Dangtu Economic Development Zone, Ma'anshan City, Anhui Province (安徽省馬鞍山市當塗縣經濟開發區基礎配套設施PPP項目)	10.1	China MCC 17 Group Co., Ltd.

Report of Directors

② Emerging Industries

During the Reporting Period, the Company exerted efforts on emerging industries, and made major breakthroughs in emerging industries such as urban integrated subterranean pipeline corridor, featured theme engineering, sponge city, beautiful countryside and smart city, healthcare and water environment improvement through resource integration, technological advancement, marketing model adjustment to constantly increase its competitiveness in emerging markets. The Company strived to seize market opportunities by leveraging the advantages of its specialized technology research institutes in specialized technologies, so as to provide customers with all-round and comprehensive services along the entire industry chain.

In the urban integrated subterranean pipeline corridor field, as the earliest constructor of integrated subterranean pipeline corridor in the PRC, the Company is able to provide consultation, planning, survey, design, construction, supervision and operating services, with professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. During the Reporting Period, the Company won the bid for a batch of integrated pipeline corridor projects with great social influence in Tianjin, Guangxi, Guizhou, Jilin, etc. As at the end of the Reporting Period, the PPP and EPC pipeline corridor projects that the Company has won the bid for continued to maintain its leading position in terms of mileage in the domestic pipeline corridor market.

In the theme park field, as the world's largest theme park contractor, the Company has the only professional theme park design institute in China, and is the only one in China with the qualification for theme park design-build project. In 2019, the Company entered into and won the bid for a number of major projects including the Construction Project for Main Works and Supporting Facilities of Children's World of Evergrande Cultural Tourism City in Shenyang, the Construction Project for Theme Park of Evergrande Cultural Tourism City in Cangzhou, and Beijing Universal Studios Theme Park – Audio and Video Design.

In the field of comprehensive improvement of water environment, the Company bore in mind the concept that "Lucid Waters and Lush Mountains are Invaluable Assets", devoted itself to the construction of ecological civilization by strengthening its efforts to develop a number of markets including general treatment of river basins, general treatment of black odor water, municipal wastewater treatment and rural wastewater treatment, with preliminary results achieved. In 2019, the Company won the bid for and entered into a number of new major projects, including the EPC+O Project No. 3 for Treatment and Improvement of Black and Odorous (Substandard) Water in Central Groups of Zhongshan City, the Survey, Design and Construction General Contracting Project for "Black and Odorous Water Improvement and Clear Water & Green Bank" in Beibei District, Chongqing City, the EPC General Contracting Project for Comprehensive Improvement of Guanggu Avenue Drainage Tunnel, Wuhan and the Integrated Ecological Restoration Project for Loop Ecotope in Chengdu City.

The Company also strengthened its efforts on market development for environmental protection businesses including soil restoration, waste incineration and mine restoration, and resulted in the winning of bid for a number of projects including the EPC General Contracting Project for Domestic Waste Incineration Power Plant with Capacity of 4,000 tons/day in Hanoi, Vietnam and the Phase I Survey and Design Project for Comprehensive Waste Disposal Facility in Xiong'an New Area, and the Ecological Restoration Project for Residue Landfill in Jiading District, Shanghai. In particular, the Phase I Project for Comprehensive Waste Disposal Facility in Xiong'an New Area is the first fully concealed comprehensive waste disposal project in the world, and the whole comprehensive waste disposal facility was constructed by

Report of Directors

following the concept of “De-industrialized Design”. By deploying waste disposal functions underground and semi-underground, this project aims to perfectly integrate suburb park, forest ski resort, concert hall and waste disposal plant. This project employs several advanced technologies. For instance, the plant is fully enclosed under negative pressure and will be operated in accordance with ultra-low emission standards superior to those in Japan and the European Union.

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

No.	Name of Project	Contractual Amount <i>(RMB100 million)</i>	Implementing Entity
Integrated Piping System			
1	Construction General Contracting for PPP Project of Beichen East Road, Integrated Piping System and Ancillary Engineering in Beichen District, Tianjin City (天津市北辰區北辰東道道路、綜合管廊及附屬工程PPP項目施工總承包項目)	14.9	China First Metallurgical Group Co., Ltd.
2	Construction General Contracting for PPP Project of Integrated Piping System along Chengdong Avenue in Xuzhou City, Jiangsu Province (江蘇省徐州市城東大道綜合管廊工程PPP項目施工總承包項目)	6.6	MCC Communication Construction Group Co., Ltd.
3	Integrated Subterranean Piping System and Simultaneous Construction Engineering for the North Section of Cuicheng Road, Cuiheng New Area, Zhongshan City (中山翠亨新區翠城道北段地下綜合管廊及同步建設工程)	4.2	China MCC 19 Group Co., Ltd.
4	PPP Project for the Integrated Subterranean Piping System in Siping City (Beihe West Road – North Huancheng Road) (四平市地下綜合管廊PPP項目(北河西路—北環城路))	3.2	China MCC 3 Group Co., Ltd.
5	Supplemental Agreement on the Sub-section Piping System (Xinhong Street- Hadawan Street) of the Integrated Subterranean Piping System on Heshui Road under the Construction Engineering Project of North-South Expressway in Hadawan Area, Jilin (吉林哈達灣區域地下綜合管廊南北幹線建設工程項目合水路支線管廊(新宏街-哈達灣街)補充合同)	2.5	China MCC 3 Group Co., Ltd.

Report of Directors

No.	Name of Project	Contractual Amount <i>(RMB100 million)</i>	Implementing Entity
Theme Park			
1	Construction Project for Major and Ancillary Facilities for the Theme Park in Evergrande Cultural and Tourism Town in Cangzhou, Hebei Province (河北省滄州恒大文化旅遊城主題樂園主體及配套建設項目)	20.0	MCC TianGong Group Corporation Limited
2	Construction Project for Main Body and Supporting Facilities of Children's Paradise of Evergrande Cultural Tourism City in Shenyang City (瀋陽恒大文化旅遊城童世界樂園主體及配套建設項目)	20.0	China 22MCC Group Co., Ltd.
3	Main Structure and Supporting Engineering of Evergrande Cultural & Tourism Theme Park in E'zhou City, Hubei Province (湖北省鄂州恒大文化旅遊主題樂園主體及配套建設工程施工項目)	20.0	China First Metallurgical Group Co., Ltd.
4	Engineering General Contracting Project (After Capital Contribution) for the Culture Park Project of "Journey to the West" in Huaian, Jiangsu Province (江蘇省淮安西遊記文化體驗園(增資後)工程總承包項目)	15.4	Central Research Institute of Building and Construction Co., Ltd.
5	Construction Engineering for Major and Ancillary Facilities of Main Castle (Steel Structures Inclusive) at the Entrance of Children's Paradise in Evergrande Cultural and Tourism Town in Cangzhou (滄州恒大文化旅遊城童世界入口主城堡(含鋼結構)主體及配套建設工程)	4.9	Shanghai Baoye Group Corp., Ltd.

Report of Directors

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
Industrial Environmental Protection Business			
1	Jiangbi Environmental Protection & Technology Innovation Industrial Park in Bao'an, Shenzhen City – Environmental Protection Industry Demonstration Park Zone (General Contracting Project for Design, Procurement and Construction) Project (深圳市寶安江碧環保科技創新產業園-環保產業生成示範園區(設計採購施工總承包)項目)	5.0	China First Metallurgical Group Co., Ltd.
2	Public and Auxiliary Units of Industrial Upgrading and Technology Renovation Project of Guangxi Shenglong Metallurgical Co., Ltd. – 2 × 360m ² Sintering Flue Gas and Desulfurization and Denitrification (廣西盛隆冶金有限公司產業升級技術改造項目公輔單元-2 × 360m ² 燒結煙氣脫硫脫硝)	5.0	WISDRI Engineering & Research Incorporation Limited
3	Integrated Coke Dry Desulfurization and Denitrification Engineering for Flue Gas and Active Coke of Sintering Machine Head of Qian'an Jiujiang Wire Rod Co., Ltd. (遷安市九江線材有限責任公司燒結機機頭煙氣活性焦一體化幹法脫硫脫硝工程)	4.1	WISDRI Engineering & Research Incorporation Limited
4	Construction Installation Contract on Environmental Dust Removal General Contracting Project for Industrial Upgrading of Hegang and Production Capacity Transfer of Xuansteel of Hegang Leting Iron and Steel Co., Ltd. (河鋼樂亭鋼鐵有限公司河鋼產業升級及宣鋼產能轉移項目環境除塵總承包項目建築安裝合同)	1.6	MCC Capital Engineering & Research Incorporation Limited
5	Ecological Restoration Pilot Project for Abandoned Mines in Shizikou Area, Jinniu Town, Binchuan County (賓川縣金牛鎮獅子口片區廢舊礦山生態修復試點項目)	1.6	MCC TianGong Group Corporation Limited

Report of Directors

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
Waste Water and Solid Waste Treatment			
1	Environmental Protection Project for the Industry-Academy-Research Industrial Park for Detoxification of Industrial Solid Wastes in Shenmu, Yulin City of Shaanxi Province (陝西省榆林神木工業固廢無害化利用產學研產業園環保處理項目)	9.0	China 22MCC Group Co., Ltd.
2	New Construction Engineering (General Contracting Project for Design, Procurement and Construction) of Centralized Industrial Wastewater Treatment Plant in Jiangbi Environmental Technology Innovation Industrial Park in Bao'an, Shenzhen City (深圳市寶安江碧環保科技創新產業園-工業廢水集中處理廠新建工程(設計採購施工總承包))	6.3	China MCC 19 Group Co., Ltd.
3	EPC Engineering for PPP Project of No. 2 Household Waste Incineration in Mianyang City (綿陽市第二生活垃圾焚燒發電PPP項目EPC工程)	3.3	WISDRI Engineering & Research Incorporation Limited
4	Zhonghe Garbage Compression Station Project (中和垃圾壓縮站工程)	2.4	China Second Metallurgical Group Corporation Limited
5	Relocation Project of Heze Jinjiang Environmental Energy Co., Ltd. (菏澤錦江環保能源有限公司遷建項目工程)	2.2	WISDRI Engineering & Research Incorporation Limited

Report of Directors

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
Specialty Towns			
1	Health Town Project in Cihu High-tech Zone, Ma'anshan City (馬鞍山市慈湖高新區健康小鎮工程)	29.5	China MCC 3 Group Co., Ltd.
2	Yanqihu International Resort Town and Pastoral Complex Phase I in Shijiazhuang, Hebei (河北石家莊燕棲湖國際旅遊度假研學小鎮及田園綜合體一期)	28.8	China Second Metallurgical Group Corporation Limited
3	EPC Project for Shipai Opera Culture Specialty Town in Huaining County – Jinji Lake, Surrounding Municipal Roads, Connection Roads between New Areas and Old Areas, etc. (懷甯縣石牌戲曲文化特色小鎮—金鷄湖及週邊市政道路、新區及老區連接道路等EPC項目)	7.6	China MCC 17 Group Co., Ltd.
4	General Contracting Project (F+EPC) for Design, Procurement and Construction of Qingyunya Cultural Tourism Characteristic Town in Enshi (恩施青雲崖文化旅遊特色小鎮項目設計採購施工總承包(F+EPC))	1.4	WISDRI Engineering & Research Incorporation Limited

(II) Property Development Business

1. Industry Overview

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

Report of Directors

In the first half of 2019, the national investments in property development amounted to RMB6,160.930 billion, representing a nominal increase of 10.9% as compared with last year. The areas of new construction of housing were 1,055.0860 million square meters ("sq.m."), representing an increase of 10.1%, among which, the areas of new construction of residential buildings were 779.9785 million sq.m., representing an increase of 10.5%. The area of lands acquired by property development enterprises was 80.3529 million sq.m., representing a decrease of 27.5% as compared with last year.

2. The Operating Results of the Business

Weighted by the policies relating to "de-stocking" and "restrictions on property purchase and credit grant", the Company adopted different policies that were tailored to characteristics of each category and of each city during the Reporting Period. MCC Real Estate Group Co., Ltd. (hereafter referred to as "MCC Real Estate"), a subsidiary of the Company, carried on accomplishing the strategic layout that Yangtze River Delta, Pearl River Delta and the Beijing-Tianjin-Hebei Region are taken as core development areas with coverage nationwide by speeding up works on reserving quality land parcels in key areas. In the first half of 2019, through open tender, it acquired 2 land parcels with site area and permissible gross floor area of 146,500 sq.m. and 293,000 sq.m., respectively. MCC Real Estate ranked the 40th in "Top 100 Real Estate Developers in China", ranked the 5th in "Top 100 Enterprises with Most Profitability", won the award of "Top 10 Chinese Real Estate Developers with Most Brand Value", ranked the 14th in "National Enterprises with Competitiveness of Green Development" and was awarded "Outstanding Enterprise in China's Urban Development and Operation". MCC Real Estate Service Co., Ltd. has become one of the enterprises among the top 100 property service providers in China. It also won the awards of "Leading Brand Enterprises in Specialized Operation of Property Service in China" and "Chinese Property Services Companies of the Year in Social Responsibility". The brand value of MCC Real Estate amounted to RMB10,376 million. The long-term credit rating of the company is rated as the highest rating of Grade AAA by domestic authoritative credit rating agencies.

During the Reporting Period, the amount invested by the Company in property development was RMB9.450 billion, representing a year-on-year decrease of 25.96%. The construction area was 10,738,600 sq.m., representing a year-on-year decrease of 0.40%, among which, new construction area accounted for 829,500 sq.m., representing a year-on-year decrease of 56.06%; completed area accounted for 1,054,100 sq.m., representing a year-on-year increase of 16.84%; contract sales area of commercial housing accounted for 440,500 sq.m. with contract sales amount of RMB5.126 billion.

The overall operating results of the property development business in the first half of 2019

Unit: RMB'000

	In the first half of 2019	% of the total	In the first half of 2018	Year-on-year increase/decrease
Segment revenue	10,385,089	6.37%	10,487,722	-0.98%
Gross margin (%)	27.64	—	29.52	Decreased by 1.88 percentage points

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

Report of Directors

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

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

Report of Directors

(III) Equipment Manufacturing Business

1. Industry Overview

At present, the iron and steel industry made sustained efforts to promote the supply-side structural reform. As a result, the industry structure constantly improved and the market order saw a noticeable improvement. As the ancillary industry of the iron and steel industry, the domestic metallurgical equipment manufacturing industry is expected to show gradual improvement in overall situation. In the recent years, given the features of strong strength, great resilience capacity, high recyclability and other advantages, the steel structure has been paid more attention by the state and recognized by the market. As the state is actively transforming from “advancement of steel structure construction in a proactive and sound manner” to “devotion of greater efforts in steel structure construction”, the steel structure industry will have greater market potential in the future.

2. The Operating Results of the Business

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

The overall operating results of the equipment manufacturing business in the first half of 2019

Unit: RMB'000

	In the first half of 2019	% of the total	In the first half of 2018	Year-on-year increase/decrease
Segment revenue	3,728,240	2.29%	3,262,958	14.26%
Gross margin (%)	11.40	–	11.27	Increased by 0.13 percentage point

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

In the first half of 2019, the overall profitability of the equipment manufacturing segment of the Company has continuously improved. Moving forward, the Company will focus on environmentally-friendly relocation, technological transformation and upgrading, and reform and innovation, continuously strengthen its process in the reorganization of the existing equipment manufacturing drivers that provides support to the core technology which would likely have a more favorable prospect.

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

(IV) Resources Development Business

1. Industry Overview

Trade war has caused downward pressure on the growth of the global economy. Trade protectionism has become an important factor to impede the development of global economy and global mining industry. Besides, the state subsidies for the new energy vehicle industry were reduced or even cancelled. Affected by multiple factors, such as stringent environmental protection policies on the relevant industries downstream and weak demand, the market prices of the major non-ferrous metal have declined in fluctuation since early 2018. According to the information of The London Metal Exchange, in the first half of 2019, the average prices of copper, nickel, cobalt, lead and zinc fell by over 10% as compared to the corresponding period of 2018. The biggest fall was the price of cobalt, amounting to 57.7%. However, the price of LME nickel represented a rapid growth in July 2019 and rebounded after a slight downward in late July, and then exceeded USD16,000/ton in August. The price of cobalt also rebounded.

	Average price in the first half of 2018 (USD/ton)	Average price in the year of 2018 (USD/ton)	Average price in the first half of 2019 (USD/ton)	Increase/ decrease as compared to the first half of 2018	Increase/ decrease as compared to the year of 2018
LME copper	6,928	6,535	6,181	-10.8%	-5.4%
LME nickel	13,932	13,176	12,392	-11.1%	-6.0%
LME Cobalt	78,768	69,744	33,308	-57.7%	-52.2%
LME lead	2,445	2,246	1,972	-19.3%	-12.2%
LME zinc	3,239	2,892	2,670	-17.6%	-7.7%

Source: WIND

2. The Operating Results of the Business

During the Reporting Period, the Company adhered to the business strategy of steady output and steady sales for its resources development business, monitored the continuous optimization of each production and technical indicators by mining projects under production with focus on cost reduction and efficiency enhancement. In the first half of 2019, the total output of five metals including nickel, cobalt, copper, lead and zinc increased significantly as compared to the corresponding period of 2018, representing an increase of 25%.

The overall operating results of the resources development business in the first half of 2019

Unit: RMB'000

	The first half of 2019	% of the total	The first half of 2018	Year-on-year increase/decrease
Segment operating revenue	2,268,661	1.39%	3,213,019	-29.39%
Gross margin (%)	19.15	—	36.98	Decreased by 17.83 percentage points

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

Report of Directors

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

(1) *Papua New Guinea Ramu Nico Project*

In the first half of the year, the project produced nickel hydroxide, which contained 16,429 tons of nickel and 1,497 tons of cobalt, which are slightly lower than those of the corresponding period of 2018, and sold nickel hydroxide, which contained 16,044 tons of nickel and 1,479 tons of cobalt, which are slightly higher than those of the corresponding period of 2018. As the benchmark project for the world's laterite nickel mine, the project continued to exceed the production target and meet the required standards.

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

The project in the first half of the year produced 36,516 tons of zinc concentrate ore and 6,480 tons of lead concentrate ore, representing an increase of 83% and 136% respectively as compared to the corresponding period last year. Since April, the mining and ore processing system of the project has reached the required production volume and standards. The project cumulatively sold 31,497 tons of zinc concentrate ore and 6,951 tons of lead concentrate ore, representing an increase of 65% and 168% respectively as compared to the corresponding period of 2018.

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

In the first half of the year the production of crude copper of the project was 6,646 tons, which was basically in line with that of the corresponding period of 2018. The sale of crude copper of the project was 6,910 tons, representing an increase of 28% as compared to the corresponding period of 2018.

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

Applicable Not applicable

III. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

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

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

Business Discussion and Analysis

I. BUSINESS DISCUSSION AND ANALYSIS

During the Reporting Period, the Company realized operating revenue of RMB159,017,379 thousand with a year-on-year growth of 26.09%, total profit of RMB4,882,189 thousand with a year-on-year growth of 4.69%, and net profit attributable to the Shareholders of the listed company of RMB3,156,882 thousand with a year-on-year growth of 8.59%.

(I) Analysis on major operating business

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

Unit: RMB'000

Item	Amount for the current period	Amount for the same period of the previous year	Change in proportion (%)
Operating revenue	159,017,379	126,112,573	26.09
Operating costs	141,523,492	110,641,099	27.91
Selling expenses	1,030,968	830,485	24.14
Administrative expenses	4,147,974	3,826,959	8.39
Financial expenses	1,683,808	1,436,724	17.20
Research and development expenses	3,716,817	1,447,867	156.71
Net cash flows from operating activities	(5,232,028)	(8,106,592)	N/A
Net cash flows from investing activities	(3,345,769)	(6,359,825)	N/A
Net cash flows from financing activities	1,832,277	16,732,486	-89.05

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

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

Explanation of change in selling expenses: Mainly due to increase in market development expenses such as staff expenses, advertising and sale service fees.

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

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

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

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

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

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

Business Discussion and Analysis

2. **Analysis on revenue and costs**

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

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

1) Trend of macro-economy internationally and domestically

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

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

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

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for the first half of 2019.

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

① Impact from changes in the tax policy

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

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

② Impact of the fluctuation in exchange rate and monetary policy

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

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

Business Discussion and Analysis

4) Overseas tax policies and their changes

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

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

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

7) Operation of subsidiaries and key projects

The final result of the third party's auditor of the Western Australia SINO Iron Ore EPC General Contract Project, the progress of the Project of MCC Real Estate in Xiaguan District of Nanjing, the recovery of payment for contract work from the government and its financing platforms, the investment and operation of PPP project 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 "Highlight the Theme of Reform and Focus on Core Business", strive to further improve the corporate governance and operation of internal control in order to strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. The Company will continue to deepen the design and operation of "macro environment, major customers and large-scale projects", through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity, design and operation and achieve a simple, efficient and effective management and control system. Whether these management goals can be effectively implemented will also influence, to quite a large extent, the improvement in the operating results of the Company.

9) Uneven distribution of revenue

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

Business Discussion and Analysis

2) Major business by segment and region

1) Information of major by segment

Unit: RMB'000

Segment	Operating revenue	Operating costs	Information of major business by segment			
			Gross Margin (%)	Increase or decrease in the operating revenue as compared to that of previous period (%)	Increase or decrease in the operating costs as compared to that of previous period (%)	Increase or decrease in the gross margin as compared to that of previous period
Engineering contracting	145,074,533	131,450,459	9.39	30.42	30.76	Decreased by 0.24 percentage point
Property development	10,385,089	7,514,380	27.64	-0.98	1.65	Decreased by 1.88 percentage points
Equipment manufacture	3,728,240	3,303,118	11.40	14.26	14.09	Increased by 0.13 percentage point
Resource development	2,268,661	1,834,103	19.15	-29.39	-9.42	Decreased by 17.83 percentage points

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

① Engineering contracting business

Engineering contracting business is the traditional core business of the Company which is mainly carried out by way of EPC contract and general financing and construction contracting contract, and is currently the major source of income and profits of the Company. The gross profit margins of the engineering contracting business for the first half of 2019 and 2018 were 9.39% and 9.63%, respectively, with a year-on-year decrease of 0.24 percentage point. The decrease was mainly due to the fierce market competition and the increase in cost of factors of production such as materials and labour costs.

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

Unit: RMB'000

Items of revenue	In the first half of 2019		In the first half of 2018		In the first half of 2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	29,393,644	20.26	26,233,380	23.58	21,156,717	24.36
Housing construction engineering	67,438,866	46.49	43,267,674	38.90	42,046,646	48.41
Transportation infrastructure	31,022,810	21.38	27,745,846	24.94	20,103,977	23.15

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

Business Discussion and Analysis

② Property development business

As at the first half of 2019 and 2018, the total gross profit margins of the Company's property development business were 27.64% and 29.52% respectively, with a year-on-year decrease of 1.88 percentage points, mainly due to macro regulatory environment of the property market.

③ Equipment manufacture business

The Company's equipment manufacture business mainly included metallurgical equipment, steel structures and other metal products. As at the first half of 2019 and 2018, the gross profit margins of the Company's equipment manufacture business were 11.40% and 11.27%, respectively, representing an increase of 0.13 percentage point as compared with the same period last year.

④ Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶集團銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司), among others, were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. As at the first half of 2019 and 2018, the gross profit margins of the Company's resource development business were 19.15% and 36.98%, respectively, representing a decrease of 17.83 percentage points as compared with the same period last year, mainly due to the volatile polysilicon and nickel market price.

2) Explanation on Major Business by Region

For details, please refer to the Note XV "1. Segment Information" to "Financial Statements and Review Report" in this report.

(3) Table of analysis on costs

Unit: RMB'000

Segment	Costs component	Situation by segment				
		Amount for the current period	Proportion of the amount for the current period to the total costs (%)	Amount for the same period in the previous year	Proportion of the amount for the same period in the previous year to the total costs (%)	Percentage change in the amount for the current period as compared to that for the same period in the previous year (%)
Engineering contracting	operating costs	131,450,459	90.29	100,528,921	87.94	30.76
Property development	operating costs	7,514,380	5.16	7,392,194	6.47	1.65
Equipment manufacture	operating costs	3,303,118	2.27	2,895,060	2.53	14.09
Resource development	operating costs	1,834,103	1.26	2,024,821	1.77	-9.42

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

Business Discussion and Analysis

Description of other results in the analysis on costs

The major components of costs of construction projects of the Company for the same period of the first half of recent three years are as follows:

Unit: RMB'000

Items of costs	In the first half of 2019		In the first half of 2018		In the first half of 2017	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	63,866,006	48.59	48,729,406	48.47	43,946,764	56.80
Materials expenses	45,008,851	34.24	34,485,560	34.30	21,569,632	27.88
Labour costs	9,228,230	7.02	7,126,202	7.09	4,837,489	6.25
Machinery usage fees	2,561,410	1.95	1,908,568	1.90	1,255,193	1.62
Others	10,785,962	8.20	8,279,185	8.24	5,760,678	7.45
Total engineering cost	131,450,459	100.00	100,528,921	100.00	77,369,756	100.00

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

(4) Information of major customers and major suppliers

The sales of top five major customers amounted to RMB7,710,835 thousand, accounting for 4.85% of the total sales of the Reporting Period. Sales of top five major customers derived from the sales to related parties amounted to RMB929,351 thousand, accounting for 0.58% of the total sales of the Reporting Period.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Group (%)
Unit 1	2,435,988	1.53
Unit 2	2,119,739	1.33
Unit 3	1,195,955	0.76
Unit 4	1,029,802	0.65
Unit 5	929,351	0.58
Total	7,710,835	4.85

Business Discussion and Analysis

The procurement of top five major suppliers amounted to RMB2,983,142 thousand, accounting for 1.95% of the total procurement of the Reporting Period; in particular, the procurement from related parties under the procurement of top five major suppliers amounted to RMB1,035,504 thousand, accounting for 0.68% of total procurement of the Reporting Period.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Group (%)
Supplier 1	1,035,504	0.68
Supplier 2	903,575	0.59
Supplier 3	378,151	0.25
Supplier 4	359,191	0.23
Supplier 5	306,721	0.20
Total	2,983,142	1.95

3. Analysis on Expenses

(1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In the first half of 2019 and 2018, the Company's selling expenses were RMB1,030,968 thousand and RMB830,485 thousand respectively, representing a year-on-year increase of 24.14%.

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses and office expenses. In the first half of 2019 and 2018, the Company's administrative expenses were RMB4,147,974 thousand and RMB3,826,959 thousand respectively, representing a year-on-year increase of 8.39%.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In the first half of 2019 and 2018, the Company's financial expenses were RMB1,683,808 thousand and RMB1,436,724 thousand respectively, representing a year-on-year increase of 17.20%.

4. Research and development expenditure

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

Unit: RMB'000

Research and development expenditure for the current period	3,716,817
Total research and development expenditure	3,716,817
Proportion of total research and development expenditure to operating income (%)	2.34

Business Discussion and Analysis

5. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	January to June 2019	January to June 2018
Net cash flows from operating activities	(5,232,028)	(8,106,592)
Net cash flows from investing activities	(3,345,769)	(6,359,825)
Net cash flows from financing activities	1,832,277	16,732,486

(1) Operating activities

In the first half of 2019 and 2018, the Company's net cash flows generated from operating activities amounted to RMB-5,232,028 thousand and RMB-8,106,592 thousand respectively. In the first half of 2019 and 2018, the cash inflow generated from operating activities mainly came from the cash receipts from the sale of goods and the rendering of service. The Company's cash outflow generated from operating activities mainly consisted of cash payments for goods purchased and services received, cash payments to and on behalf of employees and payments of various types of taxes.

(2) Investing activities

In the first half of 2019 and 2018, the Company's net cash flows generated from investing activities amounted to RMB-3,345,769 thousand and RMB-6,359,825 thousand respectively. The operating activities of the Company mainly came from engineering contracting and property development business.

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments.

(3) Financing activities

In the first half of 2019 and 2018, the Company's net cash flows generated from financing activities amounted to RMB1,832,277 thousand and RMB16,732,486 thousand respectively.

The Company's cash inflow from financing activities mainly consisted of cash received from capital contributions and net cash inflow from interest-bearing liabilities in accordance with the needs of operation and management.

Business Discussion and Analysis

6. Others

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

Applicable Not applicable

(2) Other

Applicable Not applicable

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

Applicable Not applicable

(III) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB'000

Items	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to the total assets/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	349,727,262	77.04	339,420,571	77.33	3.04
Cash and bank balances	38,385,580	8.46	44,477,302	10.13	-13.70
Accounts receivable	66,567,677	14.66	66,958,297	15.26	-0.58
Other receivables	62,213,693	13.70	56,385,242	12.85	10.34
Inventories	58,244,261	12.83	57,608,321	13.13	1.10
Contract assets	74,694,725	16.45	66,719,549	15.20	11.95
Non-current Assets	104,248,093	22.96	99,495,272	22.67	4.78
Fixed assets	26,397,894	5.81	27,370,040	6.24	-3.55
Intangible assets	16,308,295	3.59	16,133,729	3.68	1.08
Total Assets	453,975,355	100.00	438,915,843	100.00	3.43
Current Liabilities	312,076,562	89.56	296,985,847	88.32	5.08
Short-term borrowings	49,148,469	14.10	47,973,564	14.27	2.45
Accounts payable	118,549,687	34.02	113,260,891	33.68	4.67
Contract liabilities	55,175,962	15.83	58,918,293	17.52	-6.35
Non-current Liabilities	36,389,464	10.44	39,260,552	11.68	-7.31
Long-term borrowings	27,650,188	7.93	23,793,236	7.08	16.21
Total Liabilities	348,466,026	100.00	336,246,399	100.00	3.63

Business Discussion and Analysis

Analysis on assets and liabilities:

(1) *Analysis on the structure of assets*

Cash and bank balances

As at 30 June 2019 and 31 December 2018, the balances of cash and bank balances of the Company were RMB38,385,580 thousand and RMB44,477,302 thousand, respectively, representing a year-on-year decrease of 13.70%.

As at 30 June 2019 and 31 December 2018, the restricted cash and bank balances of the Company were RMB11,968,048 thousand and RMB11,326,300 thousand respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, and savings and statutory reserve saved in the Central Bank.

Accounts receivable

As at 30 June 2019 and 31 December 2018, the Company's net accounts receivable were RMB66,567,677 thousand and RMB66,958,297 thousand respectively, representing a decrease of 0.58%. The Company always places great emphasis on the safety and completeness of accounts receivable and adopts strong measures to clear up debts, collect each of the receivables timely based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to items with potential risks in collectability, but the efforts put to collect the accounts receivables will not be affected.

Other receivables

As at 30 June 2019 and 31 December 2018, the Company's net amount of other receivables were RMB62,213,693 thousand and RMB56,385,242 thousand, respectively, mainly attributable to an increase in deposits for various projects by the Company.

Inventories

The inventories of the Company mainly consisted of property costs under development, completed properties held for sale, raw materials, work in process, finished goods, etc. The inventory of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacture and resource development businesses in which the Company was engaged. As at 30 June 2019, the Company's net inventories were RMB58,244,261 thousand. As at 31 December 2018, the Company's net inventories were RMB57,608,321 thousand.

Contract assets

The contract assets are mainly related to engineering contracting service. As at 30 June 2019, the net contract assets of the Company were RMB74,694,725 thousand. As at 31 December 2018, the net contract assets of the Company were RMB66,719,549 thousand.

Business Discussion and Analysis

(2) *Analysis on the structure of liabilities*

Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consisted of credit loans, and pledge loans from commercial banks and other financial organizations. As at 30 June 2019 and 31 December 2018, the carrying amount of the Company's short-term borrowings were RMB49,148,469 thousand and RMB47,973,564 thousand, respectively, with a year-on-year increase of 2.45%. As at 30 June 2019 and 31 December 2018, the carrying amount of the Company's long-term borrowings were RMB27,650,188 thousand and RMB23,793,236 thousand, respectively, with a year-on-year increase of 16.21%.

Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors by the Company. As at 30 June 2019 and 31 December 2018, the Company's carrying value of accounts payable were RMB118,549,687 thousand and RMB113,260,891 thousand respectively with a year-on-year increase of 4.67%.

Contract liabilities

The contract liabilities mainly included engineering contracting service contracts, sales contracts and related contract liabilities. As at 30 June 2019 and 31 December 2018, the carrying amount of the Company's contract liabilities was RMB55,175,962 thousand and RMB58,918,293 thousand, respectively, with a year-on-year decrease of 6.35%.

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

For details, please refer to Note VII 69 to "Financial Statements and Review Report" in this report.

Business Discussion and Analysis

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

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

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	1,394	313	1,387	532	3,626
Total amount	3,621,399	3,447,463	7,472,999	1,414,614	15,956,475

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	3,544	82	3,626
Total amount	15,433,126	523,349	15,956,475

2. Projects under construction during the Reporting Period

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	3,373	2,227	3,933	1,363	10,896
Total amount	63,962,858	27,236,050	29,919,617	13,624,577	134,743,102

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	10,110	786	10,896
Total amount	125,812,001	8,931,101	134,743,102

Business Discussion and Analysis

3. Substantial projects under construction

Applicable Not applicable

4. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total amount
Asia	616	7,944,635
Africa	101	775,858
South America	56	588,009
Europe	42	47,593
Oceania	35	86,683
North America	18	11,672
Total	868	9,454,450

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

5. Financing arrangements of the Company

Debt financing and financing by other equity instruments of the Company

At the end of the Reporting Period, the balance of debt financing and financing by other equity instruments of the Company amounted to RMB120.330 billion, representing an increase of 5.58% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. Among them, the balances of debt financing and financing by other equity instruments amounted to RMB100.510 billion and RMB19.820 billion, respectively, which contributed to the further optimization of financing structure; the balance of financing due within one year and the long-term financing balance amounted to RMB71.113 billion and RMB49.217 billion, respectively.

6. Investment in Yingtan MCC-CIF Industrial Development Partnership (LP)

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd., MCL-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) jointly established Yingtan MCC-CIF Industrial Development Partnership (LP) on 22 December 2017. The total subscribed contribution is RMB18,000.16 million in cash, among which the subscribed contribution of MCC, being a limited partner, is RMB8,800 million or 48.8885%; the subscribed contribution of China Credit Trust Co., Ltd., being a limited partner, is RMB9,200 million or 51.1107%; MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) are general and executive partners and their subscribed contributions are RMB80 thousand or 0.0004%, respectively. During the Reporting Period, no additional paid-in capital contribution of the Company was made.

Business Discussion and Analysis

(V) Investment analysis

As of 30 June 2019 and 31 December 2018, the net financial assets held for trading of the Company were RMB1,039 thousand and RMB1,124,150 thousand, respectively, representing a year-on-year decrease of 99.91%. As of 30 June 2019 and 31 December 2018, the net long-term equity investments of the Company were RMB15,736,055 thousand and RMB13,854,855 thousand, respectively, representing a year-on-year increase of 13.58%. As of 30 June 2019 and 31 December 2018, net investment in other equity instruments of the Company were RMB1,875,161 thousand and RMB1,867,964 thousand, respectively, representing a year-on-year increase of 0.39%. As of 30 June 2019 and 31 December 2018, the net investment in other non-current financial assets of the Company was RMB4,425,069 thousand and RMB4,214,624 thousand, respectively, representing a year-on-year increase of 4.99%.

For details, please refer to Note VII 2, 13, 14, 15 to "Financial Statements and Review Report" in this report.

(1) Substantial equity investments

Applicable Not applicable

(2) Substantial non-equity investments

Applicable Not applicable

(3) Financial assets measured at fair value

Applicable Not applicable

For details, please refer to Note XI to "Financial Statements and Review Report" in this report.

(VI) Disposal of substantial assets and equity interest

Applicable Not applicable

(VII) Analysis of major controlled companies and investees

Applicable Not applicable

(VIII) Structured entities under the control of the Company

Applicable Not applicable

II. OTHER DISCLOSURE

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

Applicable Not applicable

Business Discussion and Analysis

(II) Possible Risks

1. *Risks associated with macro-economy*

The principal businesses engaged by the Company including engineering contracting and property development are closely related to various external factors, such as operating condition of the macroeconomies of the State, fixed assets investments, development of the construction industry and urbanization development, and the regulatory and control policy on real estate, etc. Currently, the global economy faces larger downward pressure. Developed countries and major emerging economies continue to slow down their growth pace. Monetary policies will be more likely to be shifted to more relaxed ones, with weak prices of certain bulk commodities and slowdown in growth of trading. The decrease in commodity prices has led to a decrease in profit, which is unfavorable to overall corporate investment. Influenced by the long-term Sino-U.S. trade friction, the lack of confidence of domestic investors and declined market expectation and demand, the economic growth has been at the longest period of slowdown in growth since reform and opening up. The external uncertainties and the internal downward pressure on economy has dampen the confidence of enterprises for investment. Standardization of the local government's debt management and further stringent control of risks, credit service and social finance improved slowly, which restricted the development of enterprise investment, continuous decrease of fixed asset investment, which is below the GDP growth, in particular, slowdown of manufacturing industry and private investment, will bring uncertainties to the business development of the Company.

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

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

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

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

Business Discussion and Analysis

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

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

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

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

With the end of the fast-growing period of the property industry and the beginning of a mature period of relatively stable growth, for the purpose of building a long-term mechanism for sound development of the real estate market, the Company adhered to the principle of “houses should be built for living, not for speculation”, adopted policies that were tailored to characteristics of each city, provided guidance according to classification and consolidated the main duties of the city government to optimize the housing market system and housing security system. The degree of concentration of the industry further enhanced. Market differentiation was obvious in various cities. Market prices cooled off in the land market of hotspot cities. The operating performance of property companies remained diversified. Sizable property companies have yielded continuous significant results in their economy of scale in relation to sales, land acquisitions, products, marketing, financing and diversified layout and other areas. The macroeconomic control measures are expected to be loosened under the keynote of stabilizing the property market. The property companies should adapt to the market trend and seek new breakthrough even at the new stage of development. On one hand, corporations need to grasp the structural opportunities and concentrate on the surrounding cities of metropolitan clusters and the cities supported by an industrial population due to divergence in different cities. On the other hand, the Company should exercise caution on market risks, especially the high inventory risks of the commercial property market.

The Company closely studied policies and optimized its business model. It adhered to what the Company can do to ensure its steady growth and grasped the rhythm of real estate cycle, adopted policies that were tailored to characteristics of each city, and responded to the combination of people flow and fund flow. Under the premise that risks are reasonably controlled, high-end and high-quality projects were constructed.

Business Discussion and Analysis

5. Risks associated with financial segment

International and domestic markets are facing more complex financial environment. The world economies are slowly recovering at different paces, and the Federal Reserve turned from interest rate hike to release the interest rate cut signal. The global financial environment is complicated. Affected by the Sino-US trade frictions, macro-economic trend and monetary policies, etc., it becomes more difficult to predict the trend of exchange rate. Domestically, the government sticks to the principle of maintaining a stable and neutral monetary policy with appropriate flexibility, and continuously deepens the reform of financial system. Recent policies have shown signs of loosened regulation; however, it is unlikely that the monetary policy will be fully relaxed.

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

6. Risks associated with bulk commodity prices

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

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

7. Risks associated with international operations

The operating businesses of the Company in various countries and areas are subject to local factors in respect of politics, economy, society, laws, exchange rate, bilateral relationships and etc., which may subject overseas businesses of the Company to certain risks and may lead to the failure of projects to be completed on schedule or occurrence of contractual disputes. These will affect the revenue and profits of overseas businesses of the Company.

The Company will conduct in-depth study on changes of various policies and regulations, and measures in response to the market, exchange rate and other risks of the places where the projects are based, build a trusted cooperative relationship with local governments, property owners and project related parties in compliance with contracts, carry out localization management and make great efforts to fulfill the contract. The Company consistently insist on assessment and risk examination of contracts on overseas construction projects before tendering and implementing a classified risk management mechanism during the process and optimize the emergency plans for the overseas construction projects in a bid to reduce the international operating risks.

Business Discussion and Analysis

8. Environmental and social risks

The Company comprehensively intensifies ecological and environmental protection, strives to win the battle of pollution prevention and control, and insists on green development as an important national strategy. The subsidiaries of MCC engage in businesses including resources development, equipment manufacturing, engineering and contracting, as well as property development. Numerous subsidiaries and respective projects result in higher standard of requirements on environmental protection management for the enterprises. The Company continuously improves its awareness on the ecological and environmental protection, consciously fulfills the political task and social responsibility of implementing the Xi Jinping's ecological civilization thought, seriously putting into practice the ideology that "Lucid Waters and Lush Mountains are Invaluable Assets", and persisting on win the battle of pollution prevention and control, actively persists on the relevant national laws and regulations of energy conservation and environmental protection, implements accountability system on enterprise bodies, continuously improves the energy conservation and environmental protection system, enhances daily supervision, and proactively initiates environmental pollution control. Enterprises under the construction category of the Company shall carry out in-depth environmental friendly construction, and push forward energy, land, water and resources conservation as well as environmental protection in full efforts; enterprises under the production category of the Company shall increase the utilization efficiency of the resources and reduce the emission of pollutants through technology innovation so as to enhance clean production.

9. Risks associated with data fraud or theft

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

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

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

Business Discussion and Analysis

10. *Cyber risk and security*

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

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

(III) OTHER DISCLOSURE

Applicable Not Applicable

Significant Events

I. SUMMARY OF THE GENERAL MEETING

Session of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolutions	Date of disclosure of the publication of the resolutions
2019 first extraordinary general meeting	12 March 2019	www.sse.com.cn www.hkexnews.hk	12 March 2019
2018 annual general meeting	26 June 2019	www.sse.com.cn www.hkexnews.hk	26 June 2019

Note: Poll results announcements of the abovementioned general meetings have been published on the website of the Hong Kong Stock Exchange on the date of such meetings.

Description of Shareholders' Meeting

On 12 March 2019, the Company convened the 2019 first extraordinary general meeting, at which Mr. Zhang Zhaoxiang, Mr. Yu Hailong, Mr. Ren Xudong, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen, all being Directors of the Company, Mr. Yan Aizhong, being a Supervisor of the Company, and Mr. Li Yuzhou, being the secretary to the Board attended; other senior management personnel of the Company attended the meeting without voting rights. Three ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Election of the Executive Directors of the Third Session of the Board of the Company", the "Resolution on the Election of the Independent Non-executive Directors of the Third Session of the Board of the Company", and the "Resolution on the Election of the Non-employee Representative Supervisors of the Third Session of the Supervisory Committee of the Company".

On 26 June 2019, the Company convened the 2018 annual general meeting, at which Mr. Zhang Zhaoxiang, Mr. Zhou Jichang, Mr. Ren Xudong, Mr. Chan Ka Keung Peter and Mr. Lin Jinzhen, all being Directors of the Company, Mr. Cao Xiuyun, Mr. Zhang Yandi and Mr. Chu Zhiqi, all being Supervisors of the Company, and Mr. Zeng Gang, being the secretary to the Board attended; other senior management personnel of the Company attended the meeting without voting rights. Eight ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Work Report of the Board of MCC for the Year 2018", the "Resolution on the Work Report of the Supervisory Committee of MCC for the Year 2018", the "Resolution on the Report of MCC on Final Accounts for the Year 2018", the "Resolution on Profit Distribution of MCC for the Year 2018", the "Resolution in relation to the Emoluments of Directors and Supervisors of MCC for the Year 2018", the "Resolution on the Guarantee Plan of MCC for the Year 2019", the "Resolution on the Appointment of the Auditor of the Financial Report and Internal Control Auditor of the Company for the Year 2019" and the "Resolution on the Application of Annual Caps of Daily Connected Transactions/Continuing Connected Transactions for the Year 2020-2022 and Entering into the Connected Transaction Agreements"; four special resolutions were considered and approved at the meeting, including the "Resolution on the Grant of General Mandate to the Board of Directors to Issue Shares", the "Resolution on the Amendment to the Articles of Association", the "Resolution on the Plan of Registration and Issuance of Domestic Bonds of the Company for the Year 2019" and the "Resolution on the Amendments to the Rules of Procedures for General Meetings". The "Work Report of Independent Directors for the Year 2018" was heard at the meeting.

II. PROPOSALS ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

(1) Proposal for profit distribution and transfer of capital reserve to share capital for the first half of the year

Any distribution or capital increase: Nil

III. PERFORMANCE OF UNDERTAKINGS

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

Undertaking background	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
Undertakings in relation to the initial public offering	Solution to horizontal competition	CMGC	CMGC, the Controlling Shareholder of MCC, undertook to avoid being engaged in or taking part in any business which may compete horizontally with the principal business of MCC.	5 December 2008	No	Yes	-	-
Undertakings in relation to the strategic restructuring	Solution to and prevention of horizontal competition	China Minmetals	<p>1. In respect of businesses carried out by China Minmetals and other controlled companies which overlap with those of MCC, China Minmetals will, according to its actual situations and the characteristics and development trend of the industry in which it operates, actively adopts different methods such as entrusted management, asset restructuring, equity swap and business adjustment to minimize the business overlap between the two parties.</p> <p>2. Upon the completion of the acquisition, China Minmetals and other controlled companies will not, in whatever form, directly or indirectly, engage in new businesses competing with MCC, and will not establish controlling subsidiaries who engage in the same or similar businesses that will constitute substantial horizontal competition with China Minmetals. China Minmetals will supervise its controlled companies and adopt certain measures when necessary.</p> <p>3. Subject to the above principles 1 and 2 and upon the completion of the acquisition, if the products or services that will be operated by the unlisted subsidiaries controlled by or other unlisted related enterprises of China Minmetals are likely to compete with the main products or services of MCC, China Minmetals will agree that MCC shall be entitled to preferentially acquire the assets in relation to these products or services or 100% equity of China Minmetals in the subsidiaries. MCC shall be entitled to determine the time to request China Minmetals to sell the abovementioned competing businesses at its discretion.</p> <p>4. China Minmetals will abstain from voting at the Board meeting or general meeting at which MCC reviews whether its new businesses constitute horizontal competition with China Minmetals and whether to exercise the above option right and pre-emptive rights.</p>	17 February 2016	No	Yes	-	-

Significant Events

Undertaking background	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
			5. China Minmetals undertook that it will strictly comply with the relevant regulations of the CSRC and the SSE, and the Articles of Associations and other rules and regulations of MCC, and equally exercise the shareholder's rights and perform the shareholder's obligations. It also undertook not to take advantage of its privileged positions as the substantial shareholder nor impair the legal interests of MCC or other shareholders. The commitments continue to be valid, cannot be altered and is irrevocable during the period in which China Minmetals has control over MCC or there is relatively material impact. If there is any breach of the above commitments, China Minmetals shall undertake all losses to MCC.					
Undertakings in relation to the corporate bonds	Others	MCC	During the renewable periods of Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Second Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance, Renewable Corporate Bonds (Fourth Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* (collectively, "2017 Renewable Corporate Bonds"), if the Company does not expect to pay the principal and interest on such bonds on time or fails to pay the principal and interest on time at the maturity date of such bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.	From the issuance date of 2017 Renewable Corporate Bonds to the maturity date of such bonds	Yes	Yes	-	-
			During the renewable period of Renewable Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2017 Corporate Bonds"), if the Company does not expect to pay the principal and interest for this tranche of bonds on time or fails to pay the principal and interests on time at the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.	25 October 2017 to 25 October 2022	Yes	Yes	-	-
			During the renewable period of Renewable Corporate Bonds (First Tranche) for 2018 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2018 Corporate Bonds"), if the Company does not expect to pay the principal and interest for this tranche of bonds on time or fails to pay the principal and interest on time at the maturity date of this tranche of bonds, at least the following measures will be taken: (1) no distribution of profits to the ordinary Shareholders; (2) no reduction in registered capital.	8 May 2018 to 8 May 2023	Yes	Yes	-	-
			The funds raised from 2017 Renewable Corporate Bonds, 2017 Corporate Bonds and 2018 Corporate Bonds are used only for production and operating activities of enterprises that comply with national laws, regulations and policies. Such raised funds will be used strictly in accordance with the agreed purpose mentioned in the prospectus. Such funds will not be used by others and will not be used as non-production expenditures and real estate business. A practical and effective monitoring mechanism and isolation mechanism for raised funds will be established.	The issuance dates of 2017 Renewable Corporate Bonds, 2017 Corporate Bonds and 2018 Corporate Bonds	No	Yes	-	-

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Appointment and Dismissal of Accounting Firm

Unit: RMB

Current Appointment	
Name of domestic accounting firm	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership)
Remuneration of domestic accounting firm	18,350,000
Term of audit by domestic accounting firm	6 years

Name	Remuneration
Accounting firm for internal control audit	Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) 2,000,000

Upon approval at the 2018 annual general meeting of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP ("Deloitte Touche Tohmatsu") as its auditor for the year 2019, which was responsible for the annual audit and interim review of the financial statements of the Company prepared in accordance with the Accounting Standard for Business Enterprises. Meanwhile, Deloitte Touche Tohmatsu also provided the Company with internal control audit services in relation to financial reports and provided statutory financial audit services for part of the subsidiaries.

The audit and review fees for the financial statements for the year are RMB18.35 million, while the internal control audit fees for the year are RMB2.0 million.

Deloitte Touche Tohmatsu has provided annual audit services for the Company for 6 consecutive years. The signing certified public accountants for the 2019 audited report are Chen Wenlong and Zhou Hongyu, who have acted as the signing certified public accountants and have been providing audit services for the Company for 6 consecutive years and 1 year, respectively.

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

Applicable Not Applicable

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

Applicable Not Applicable

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

Applicable Not Applicable

Significant Events

V. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

Applicable Not Applicable

VI. MATERIAL LITIGATION AND ARBITRATION

The Company has material litigation and arbitration during the Reporting Period

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

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

Applicable Not Applicable

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

During the Reporting Period, the Company and its Controlling Shareholder, CMGC, did not have any court ruling that was yet to be executed, or any debt with a relatively large amount that is due but remained unpaid.

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

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

Event overview

After CISDI Group Co., Ltd., a wholly-owned subsidiary of the Company, has been included in the list of "Double Hundred Enterprises" in 2018, China ENFI Engineering Co., Ltd., China MCC 17 Group Co., Ltd. and WISDRI Engineering & Research Incorporation Limited, the subsidiaries of the Company, have been newly added to the list of "Double Hundred Enterprises" in 2019.

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

Enquiry index

For details, please refer to the "Announcement of MCC on the Inclusion of A Subsidiary into "Double Hundred Enterprises" of Reform of State-owned Enterprises" disclosed by the Company on 15 May 2019.

(II) Incentive events not disclosed in temporary announcements or with subsequent progress

Equity incentives

Applicable Not Applicable

Other explanations

Applicable Not Applicable

Employee stock ownership plan

Applicable Not Applicable

Other incentives measures

Applicable Not Applicable

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to daily operation

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

Overview of the Matter

Query indexes

The Company convened the 2018 annual general meeting on 26 June 2019, at which the Resolution related to the Application of Annual Caps for Daily Connected Transaction/ Continuing Connected Transaction for 2020 to 2022 and Signing of Connected Transaction Agreement was considered, approving the Mutual Supply of Comprehensive Raw Materials, Products and Services Agreement entered into by the Company with China Minmetals on 28 April 2019, and approving the annual caps of daily connected transactions with China Minmetals and its subsidiaries (except MCC) for 2020 to 2022.

For details, please refer to the Continuing Connected Transaction and Disclosable Transaction with China Minmetals disclosed by the Company on 28 April 2019 and Poll Results of the 2018 Annual General Meeting Held on 26 June 2019 disclosed by the Company on 26 June 2019.

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

Applicable Not Applicable

Significant Events

3. Events not disclosed in interim announcements

Unit: RMB'000

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of connected transaction	Percentage to similar transactions (%)	Payment method for connected transaction	Market price	Reason for the significant difference between transaction price and reference market price
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Sales of commodities	Purchase and sales of supplies – income	Agreed price	–	232,622	3.96	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Purchase of commodities	Purchase and sales of supplies – expenditure	Agreed price	–	2,323,135	5.03	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Provision of labour services	Engineering construction services – income	Agreed price	–	1,060,894	0.79	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Acceptance of labour services	Engineering construction services – expenditure	Agreed price	–	252,403	0.39	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Provision of labour services	Production maintenance services – income	Agreed price	–	2,213	0.08	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Provision of labour services	Metallurgical services – income	Agreed price	–	876	0.03	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Provision of labour services	Management services – income	Agreed price	–	11,849	0.38	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Acceptance of labour services	Management services – expenditure	Agreed price	–	2,054	0.59	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Interest expenditure	Property financing services – financing charges – financial leasing	Agreed price	–	1,658	15.81	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Interest expenditure	Property financing services – financing charges – financial subsidy	Agreed price	–	82,432	3.90	–	–	–
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling Shareholder	Other outflow	House leasing – expenditure	Leases Contract	–	19,814	20.43	–	–	–

Significant Events

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Price of connected transaction	Amount of connected transaction	Percentage to similar transactions (%)	Payment method for connected transaction	Market price	Reason for the significant difference between transaction price and reference market price
MCC Ruimu Amperex Technology	Holding subsidiaries of the parent company	Borrowings to related parties	Financial services—daily maximum balance of provision of loan and bill discounting services	Agreed price	-	350,000	-	-	-	-
MCC Ruimu Amperex Technology	Holding subsidiaries of the parent company	Borrowings to related parties	Financial services—daily maximum balance of provision of financial leasing services	Agreed price	-	275,798	-	-	-	-
MCC Ruimu Amperex Technology	Holding subsidiaries of the parent company	Interest income	Financial services—interest and rental	Agreed price	-	14,092	1.81	-	-	-
Total				/	/	4,629,840	/	/	/	/
Details of return of sold goods in large quantities					N/A					
Description of connected transaction					N/A					

Note: Since 1 January 2019, the Company has implemented the Accounting Standards for Business Enterprises No. 21 – Leases modified by the MOF in 2018. From January to June 2019, the Company recognized the fees in relation to property lease trading amounting to RMB19,814 thousand. For details of the amount of right-of-use assets recognized by the Company as lessee due to the newly signed property leasing contract, please refer to note “related party transactions” in the financial report.

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

Applicable Not Applicable

Significant Events

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

Applicable Not Applicable

(IV) Related creditors' rights and debt transactions

Applicable Not Applicable

(V) Other material connected transactions

Applicable Not Applicable

XI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Custody, contracting and leasing

Applicable Not Applicable

(II) Guarantees

Unit: RMB

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

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

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees provided to its subsidiaries during the Reporting Period	1,083,489,550.34
Total balance of guarantees provided to its subsidiaries as at the end of the Reporting Period (B)	19,077,752,027.30

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

Total amount of guarantees (A+B)	19,077,752,027.30
Total amount of guarantees as a percentage of the Company's net assets (%)	22.16
Including:	
Amount of guarantees provided to Shareholders, the de facto controllers and their related parties (C)	0
Debt guarantees directly or indirectly provided to guaranteed parties with gearing ratio of over 70% (D)	17,993,107,568.17
Guarantees with the total amount exceeding 50% of the net assets (E)	0
Total amount of guarantees of the three above items (C+D+E)	17,993,107,568.17
Explanation on the potential joint repaying liability arising from outstanding guarantees	Nil
Explanation on guarantees	Nil

(III) Other material contracts

Please refer to the section headed “Report of Directors” for details of material contracts signed by the Company during the Reporting Period.

XII. PERFORMANCE OF POVERTY ALLEVIATION BY THE COMPANY

1. Targeted poverty alleviation programs

Applicable Not Applicable

2. Overview of targeted poverty alleviation during the Reporting Period

Applicable Not Applicable

3. Achievements of targeted poverty alleviation

Applicable Not Applicable

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

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

On 3 and 4 April 2019, a group led by Lin Jinzhen, the Employee Director, Chairman of the Labour Union and Secretary of the Organ Party Committee, carried out a two-day research and study work in Yanhe County and Dejiang County of Guizhou Province, for the following main tasks:

1. The third batch of temporary cadres for targeted poverty alleviation were dispatched to report for duty. Leng Xuzhong from China MCC 20 Group and Guo Xiaochun from China MCC 17 Group reported to duty in Yanhe Tujia Autonomous County and Dejiang County successively along with the research team, to replace the second batch of temporary cadres for targeted poverty alleviation whose term of office has expired and to be responsible for implementing the arrangement of targeted poverty alleviation program.
2. Assessment on temporary cadres whose term of office has expired was conducted. The research group conducted assessment on the second batch of temporary cadres whose term of office has expired – Xu Yi from China Metallurgical Construction Engineering Group and Chen Yu from China MCC 5 Group. Relevant leaders and government officers of Tongren City, Yanhe County and Dejiang County and colleagues of the temporary cadres said that they have seen from the two temporary cadres the commitment of a central enterprise to carry out poverty alleviation work with “devotion of true feelings and real intention, financial input and solid work”.
3. The research group visited a poverty alleviation project in Tengxi Village, Chaodi Town, Dejiang County – a navel orange industrial park benefiting over 1,460 poverty-stricken people. The research group and accompanying county, town and village cadres carried out proper communication on a number of issues including further implementation of poverty alleviation project and rapid development of poverty alleviation through industrial development.
4. The research group visited comrade Yang Cong who recently was dispatched to Changyi Village, Xinjing Town, Yanhe County to act as “Major Secretary”, and donated RMB50,000 to Changyi Village to support education.

Significant Events

(2) **Implementation of poverty alleviation through consumption**

The Labour Union of MCC issued a notice to call upon all subordinated labour unions at all levels to carry out poverty alleviation through consumption. According to incomplete statistics, in the first half of the year, departments of the headquarters of MCC and its subsidiaries procured agricultural products of RMB1.8308 million from counties under targeted poverty alleviation.

(3) **Implementation of poverty alleviation by subsidiaries**

Subsidiaries of MCC actively undertook the poverty alleviation tasks assigned by local governments. According to incomplete statistics, subsidiaries have undertaken paired support tasks for 8 villages, dispatched 31 temporary cadres and resident personnel, provided 734 job posts for poverty alleviation, donated money and materials of RMB1.2592 million, made an aggregate financial input of RMB0.4026 million in poverty alleviation projects, and organized training programs attended by more than 200 persons.

5. **Subsequent targeted poverty alleviation programs**

Applicable Not Applicable

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable

XIV. INFORMATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY

(I) **Environmental protection of the Company and its subsidiaries categorized as major sewage discharge enterprises as published by the environmental protection department**

In accordance with the Name List of Enterprises under Special Supervision and Enterprises with Significant Waste Disposal for 2019 published by the Ministry of Environmental Protection and provincial and municipal departments of environmental protection, among all subsidiaries of the Company, Xiangyang Enfi Environmental Protection Energy Co., Ltd., a subsidiary of China Nonferrous Engineering Co., Ltd. (hereinafter referred to as "China Non-ferrous"), Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司), Wuxi Xidong Environmental Protection Energy Co., Ltd. (無錫錫東環保能源有限公司) and China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司), a subsidiary of WISDRI Engineering & Research Incorporation Limited, were included in the list of enterprises under special supervision of exhaust gas, China Silicon Corporation Ltd. (洛陽中硅高科技有限公司), a subsidiary of China Non-ferrous was included in the list of enterprises under special supervision of wastewater treatment plants, and 27 sewage treatment plants under MCC Huatian Engineering & Technology Co., Ltd., China Non-ferrous and WISDRI Engineering & Research Incorporation Limited were included in the list of enterprises under special supervision of sewage treatment. During the Reporting Period, each environmental protection facility of all units under the Name List of Enterprises with Significant Waste Disposal operated normally, and the emission of key pollutants reached the emission standard without excessive emission, achieving the objective of total emission reduction.

Significant Events

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

1. Information about pollution discharge

(1) 27 enterprises under special supervision of sewage treatment

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard ^{note}	Actual emission	Total emission rate	Discharge flow
					(mg/L)	(mg/L)	(10,000t/day)	
1	Chuzhou Huatian Water Corporation MCC (滁州市中冶華天水務有限公司)	Main vent from Chuzhou Huatian Water Corporation MCC WS-01904	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	25.3	10.8	Qingliu River (清流河)
			Ammoniacal nitrogen		5(8)	0.65		
2	Lai'an Huatian Water Corporation MCC (來安縣中冶華天水務有限公司)	Vent from Lai'an Huatian Water Corporation MCC Wastewater	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	38.13	5.66	Lai River (來河)
			Ammoniacal nitrogen		5(8)	0.81		
3	MCC Qinhuangdao Water Co., Ltd. (中冶秦皇島水務有限公司)	Vent from Shanhaiguan Water Treatment Plant (山海關污水廠出水口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	20.44	2.96	Chao River (潮河)
			Ammoniacal nitrogen		5(8)	0.10		
4	Shouguang North Water Corporation MCC (壽光市城北中冶水務有限公司)	Vent outside Shouguang North Water Corporation MCC	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A ^{Note}	40	25.42	4.76	Zhangseng River (張僧河)
			Ammoniacal nitrogen		2	0.50		

Significant Events

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard ^{note}	Actual emission	Total emission rate	Discharge flow
					(mg/L)	(mg/L)	(10,000t/day)	
5	Tianchang Huatian Water Corporation MCC (Tianchang Wastewater Treatment Plant) (天長市中冶華天水務有限公司(天長市污水處理廠))	Vent No. WS-009	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	25.90	4.59	Chuanqiao River (川橋河)
			Ammoniacal nitrogen		5(8)	1.81		
6	Qinlan Wastewater Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(秦欄鎮污水處理廠))	Mixed inflow of sewage emission in Qinlan Town and Jiangwei County of Tianchang City	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	26.08	0.59	Qinlan River (秦欄河)
			Ammoniacal nitrogen		5(8)	0.86		
7	Yangcun Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(楊村鎮污水處理廠))	Mixed inflow of sewage emission in Yangcun Wastewater Treatment Plant of Tianchang City	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	26.30	0.42	Yangcun River (楊村河)
			Ammoniacal nitrogen		5(8)	1.53		
8	Wastewater Treatment Plant of Tianchang Economic Development Zone of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(天長市經濟開發區污水處理廠))	Vent No. WS-04303	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	29.65	1.46	New Chuanqiao River (新川橋河)
			Ammoniacal nitrogen		5(8)	0.98		
9	Tongcheng Water Treatment Plant of Tianchang Huatian Water Corporation MCC (天長市中冶華天水務有限公司(銅城鎮污水處理廠))	Vent No. WS-04305	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	14.00	0.62	Tonglong River (銅龍河)
			Ammoniacal nitrogen		5(8)	0.21		
10	MCC Xinglong Water Co., Ltd. (興隆縣中冶水務有限公司)	Vent of disinfecting tank WS-001	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	15.69	2.5	Liu River (柳河)
			Ammoniacal nitrogen		5(8)	1.42		
11	MCC Dingyuan Water Co., Ltd. (定遠縣中冶水務有限公司)	Wastewater discharge vent WS-50004	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	13.37	2.77	Maqiao River (馬橋河)
			Ammoniacal nitrogen		5(8)	0.87		
12	Lu'an Water Corporation MCC (六安市中冶水務有限公司)	Main vent WS00075	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	22.30	1.42	Su Da Yan (蘇大堰)
			Ammoniacal nitrogen		5(8)	0.36		

Significant Events

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard ^{note}	Actual emission	Total emission rate	Discharge flow
					(mg/L)	(mg/L)	(10,000t/day)	
13	Cha He Water Treatment Plant of Lai'an Huatian Water Corporation MCC (來安縣中冶華天水務有限公司汧河污水處理廠)	Vent from Cha He Water Treatment Plant (汧河污水處理廠污水排放口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	60 8(15)	21.74 0.79	0.88	Chu River (滁河)
14	Ma'anshan Water Corporation MCC (馬鞍山中冶水務有限公司)	Ma'anshan Huatian Water Corporation MCC (馬鞍山中冶華天水務有限公司) WS-090801	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	17.14 0.38	1.51	Xiangcheng River (襄城河)
15	Huangshi Water Corporation MCC (黃石中冶水務有限公司)	Vent from Huangshi Tuanchengshan Wastewater Treatment Plant (黃石團城山污水處理廠排放口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	15.15 1.44	3.78	Ci-hu Lake (磁湖)
16	Shouguang MCC Huatian Water Co., Ltd. (壽光市中冶華天水務有限公司)	Vent from Shouguang MCC Huatian Water Co., Ltd. WS-37078309	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	40 2	33.12 0.82	12.99	Xiaoqing River (小清河)
17	Qinhuangdao Funing District MCC Water Co., Ltd. Wastewater (秦皇島市撫寧區中冶水務有限公司)	Vent from Funing Wastewater Treatment Plant (撫寧污水廠出口)	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	28.28 0.43	4.32	Discharged into artificial river
18	Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水務有限公司)	Vent from Fuzhou MCC Changle District Water Co., Ltd. (福州市長樂區中冶水務有限公司) 排放口 WS-26616	COD Ammoniacal nitrogen	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50 5(8)	34.75 0.30	5.19	Min River (閩江)
19	MCC Xuancheng Water Co., Ltd. (宣城中冶水務有限公司) ^{note}	Vent from Xuancheng Wastewater Treatment Plant (宣城污水廠出口)	/	/	/	/	/	Shuiyang River (水陽江)

Significant Events

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard ^{note}	Actual emission	Total emission	
					(mg/L)	(mg/L)	rate	Discharge flow
							(10,000t/day)	
20	Beijing Zhongshe Water Treatment Co., Ltd. (北京中設水處理有限公司)	Main vent (Phase I)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of current wastewater plant) DB11/890-2012	50	22.0	4.31	Ciwei River (刺猾河)
			Ammoniacal nitrogen		5(8)	0.7		
			Total phosphorus		0.5	0.29		
		Main vent (Phase II)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A of new wastewater plant) DB11/890-2012	20	15.5	4.87	
			Ammoniacal nitrogen		1.0(1.5)	0.3		
			Total phosphorus		0.2	0.12		
21	Lanzhou Zhongtuo Water Corporation (蘭州中投水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	60	23.3	23.1	Yellow River
			Ammoniacal nitrogen		8(15)	44.0		
			Total phosphorus		1	0.35		
22	Xiaogan Zhongshe Water Co., Ltd. (孝感中設水務有限公司)	Main vent	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard B	60	20.9	12.38	Gunzi River (滾子河)
			Ammoniacal nitrogen		8(15)	1.5		
			Total phosphorus		1	0.70		
23	Wenxian Zhongtuo Water Co., Ltd. (溫縣中投水務有限公司)	Main vent of the First Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	17.3	4.02	Laomang River (老鱗河)
			Ammoniacal nitrogen		5(8)	0.5		
			Total phosphorus		0.5	0.15		
		Main vent of the Second Wastewater Treatment Plant	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	22.6	1.77	
			Ammoniacal nitrogen		5(8)	1.13		
			Total phosphorus		0.5	0.15		
24	Changzhou Enfi Water Co., Ltd. (常州恩菲水務有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Municipal Wastewater Treatment Plant & Key Industries of Taihu Area DB32/1072-2007	60	49.3	2.32	Cailing Port (採菱港)
			Ammoniacal nitrogen		5	0.5		
			Total phosphorus		0.5	0.11		

Significant Events

No.	Company name	Discharge vent	Major pollutants and characteristic pollutants	Executive standard	Emission standard ^{note} (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
25	Zhejiang Chunnan Sewage Treatment Co., Ltd. (浙江春南污水處理有限公司)	Main vent	COD	Discharge Standard of Main Water Pollutants for Pulp and Paper Industry of Zhejiang Province DHJB1-2001	60	46.8	7.23	Yang Pu Qu (洋浦渠)
			Ammoniacal nitrogen		5	0.2		
			Total phosphorus		0.5	0.03		
26	Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澥污水處理廠)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澥污水處理廠)	PH	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	6-9	7.47	1.94	Yangtze River (長江)
			COD		50	8.45		
			Ammoniacal nitrogen		5(8)	0.09		
			Total phosphorus		0.5	0.16		
			Total nitrogen		15	7.87		
27	Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司)	Main vent of Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd.	PH	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A) (GB18918-2002)	6-9	7.89	4.86	Yangtze River (長江)
			COD		50	11.6		
			Ammoniacal nitrogen		5(8)	0.08		
			Total phosphorus		0.5	0.21		
			Total nitrogen		15	9.48		
		Fluoride		10	4.74			

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

Significant Events

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

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Discharge standard	Actual discharge	Overall rate of discharge (kg/h)	Discharge flow
1	China Silicon Corporation Ltd. – The First Subsidiary (洛陽中硅高科技有限公司一分公司)	Main vent of wastewater	PH	Integrated Wastewater Discharge Standard (GB8978–1996) (Level Three)	6 - 9	8.22	/	Sewage treatment plant of New District, Luoyang
			SS	Integrated Wastewater Discharge Standard (GB8978–1996) (Level Three)	400mg/L	48.11	0.26	
			COD	Integrated Wastewater Discharge Standard (GB8978–1996) (Level Three)	500mg/L	45.535	0.22	
			Ammoniacal nitrogen	Integrated Wastewater Discharge Standard (GB8978–1996) (Level Three)	/	0.1325	0.0007	
			Cl ⁻	Discharge Standard of Chlorides for Salt and Alkali Industry DB41/276–2011	350mg/L	217.5	1.14	
			F ⁻	Integrated Wastewater Discharge Standard (GB8978–1996) (Level Three)	20mg/L	2.18	0.01	
			Chimney of Exhaust Washing Tower	HCl	Integrated Emission Standards of Air Pollutants Level Two	100mg/Nm ³ 0.915kg/h	15.45	
		Chimney of Acid Fume Purification Tower	HF	Integrated Emission Standards of Air Pollutants Level Two	9mg/Nm ³ 0.38kg/h	0.1947	0.06	
			NO _x	Integrated Emission Standards of Air Pollutants Level Two	240mg/Nm ³ 2.85kg/h	3.7	1.32	

Significant Events

(3) Enterprises under special supervision of exhaust gas (4 enterprises)

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission	Overall rate of emission (kg/h)	Emission flow	
1	Xiangyang Enfi Environmental Protection Energy Co., Ltd. (襄陽恩菲環保能源有限公司)	Xiangyang Enfi Household Waste Incineration Power Plant (Wastewater vent)	COD	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	500mg/L	23.915	0.47	Wastewater Treatment Plant of Yujiahu	
			PH	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	6-9	/	/		
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #1	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	27.54	1.86	Atmosphere	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	113.4	7.71		
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	3.31	0.22		
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #2	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	32.01	2.48		
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	121.73	9.28		
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	2.53	0.19		
		Exhaust vent from Xiangyang Enfi Waste Incineration Power Plant #3	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	26.73	1.99		
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	142.71	10.35		
				Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	1.66	0.12	

Significant Events

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission	Overall rate of emission (kg/h)	Emission flow
2	Wuxi Xidong Environmental Protection Energy Co., Ltd. (無錫錫東環保能源有限公司)	Wuxi Xidong Environmental Protection Energy Co., Ltd. (Wastewater vent)	COD	Integrated water waste discharge standards (GB8978-1996) Level Three Emission limit	500mg/L	39.7	0.78	Xibei Town Wastewater Treatment Plant
			PH	Integrated water waste discharge standards (GB8978-1996) Level Three Emission limit	6-9	7-8	/	
		Exhaust vent # 1 from Wuxi Xidong Environmental Protection Energy Co., Ltd.	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	20.25	1.33	Atmosphere
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	154.14	0.82	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	4.33	0.11	
		Exhaust vent # 2 from Wuxi Xidong Environmental Protection Energy Co., Ltd.	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	45.85	0.85	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	138.78	8.97	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	1.73	0.11	
		Exhaust vent # 3 from Wuxi Xidong Environmental Protection Energy Co., Ltd.	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	18.45	1.21	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	190.64	9.55	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	1.83	0.16	
		Exhaust vent # 4 from Wuxi Xidong Environmental Protection Energy Co., Ltd.	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	23.82	0.86	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	155.92	9.08	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	1.38	0.08	

Significant Events

No.	Company name	Discharge vent	Key pollutants and characteristic pollutants	Executive standard	Emission standard	Actual emission	Overall rate of emission (kg/h)	Emission flow
3	Ganzhou Enfi Environmental Protection Energy Co., Ltd. (赣州恩菲环保能源有限公司)	Exhaust vent # 1 from Ganzhou Enfi Waste Incineration Power Plant	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	6.7	0.4	Atmosphere
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	128.7	9.4	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	4.2	0.27	
		Exhaust vent # 2 from Ganzhou Enfi Waste Incineration Power Plant	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	8.7	0.67	
			NO _x	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	166.1	12.5	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	6.2	0.4	
4	China City New Energy Development Dafeng Co., Ltd.	China City 1# gas exhaust gas	SO ₂	Discharge Standard of Pollutants for Thermal Power Plant (GB13223-2011)	100mg/m ³	4.5	0.92	Atmosphere
			NO _x		100mg/m ³	57.9	11.88	

2. Construction and operation of pollution prevention facilities

- ① The wastewater treatment facility of China Silicon Corporation Ltd. – The First Subsidiary is equipped with a three-wastes treatment station, an integrated system for domestic sewage; the exhaust gas treatment facility is equipped with exhaust washing tower, acid fume purification tower and dust collecting bag. With respect to solid waste treatment facility, general solid waste storage yard, sludge yard for wastewater treatment, hydrogenated residues yard and hazardous waste temporary storage yard are provided.
- ② All incineration power plants kept increasing control over percolate, fly ash, flue gas purification system, etc., in order to guarantee waste water treatment and smoke and dust emission compliant with requirements.
- ③ During the Reporting Period, all project companies of Beijing ENFI Environmental Protection Co., Ltd. kept increasing management and control over wastewater treatment facility, operation, etc., in order to guarantee all effluent meets standards.
- ④ Wastewater treatment process used in 19 wastewater treatment plants operated by MCC Huatian Engineering & Technology Co., Ltd. mainly adopted primary treatment (physical and chemical treatment process) + secondary treatment (biochemical treatment process) + tertiary treatment (advanced treatment process), in which 18 plants executed the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (Level 1 Standard A) (GB18918-2002) for effluent quality.

Significant Events

- ⑤ Baoxie Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. adopted hydrolytic acidification + modified A/A/O + coagulation and filtration process with enhanced biological denitrification and phosphorus removal function. Effluent disinfection adopted disinfection by sodium hypochlorine.
- ⑥ Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. adopted modified MSBR + coagulation and filtration process with enhanced biological denitrification and phosphorus removal function. Effluent disinfection adopted disinfection by sodium hypochlorine.
- ⑦ China City New Energy Development Dafeng Co., Ltd. currently is equipped with "SNCR (urea injection at high temperature section of furnace, selective non-catalytic reduction denitrification system)", "furnace desulfurization system (injection of dry lime powder into high temperature combustion zone in the furnace)" and "two-level dust removal system comprising of cyclone dust remover + dust collection bag".

In the first half of 2019, pollution prevention and control facilities of the above enterprises were in normal and stable operation with perfect production operation management, guaranteeing the meeting of applicable emission standards.

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

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

All enterprises with significant waste disposal have obtained approvals from relevant environmental protection departments in respect of environmental impact assessment.

4. Contingency plans for environmental emergencies

The contingency plan for environmental emergencies set out by a subsidiary of China Silicon Corporation Ltd. (洛陽中硅高科技有限公司) was filed with Luoyang Environmental Protection Bureau, Luoyang Urban and Rural Integration Commission and Bureau of Land and Resources of Luoyang on 9 January 2017, with reference number of 410311-2017-H-1.

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

Significant Events

The contingency plan for environmental emergencies set out by Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司) was filed with Ganxian District Environmental Protection Bureau in Ganzhou on 7 December 2018, with reference number of 360721-2018-021-M.

The contingency plan for environmental emergencies set out by Wuxi Xidong Environmental Protection Energy Co., Ltd. (無錫錫東環保能源有限公司) was filed with Wuxi Xishan District Environmental Supervision Brigade on 18 August 2017, with reference number of 320205-2017-087-H.

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

All 27 sewage treatment companies have worked out contingency plans for environmental emergencies

5. **Environmental self-monitoring plans**

China Silicon Corporation Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Ganzhou Enfi Environmental Protection Energy Co., Ltd., Wuxi Xidong Environmental Protection Energy Co., Ltd., China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司) and 27 sewage treatment companies have worked out environmental self-monitoring plans. All sewage treatment plants have installed online COD and ammoniacal nitrogen monitoring facilities at their intakes and vents, respectively, ensuring that monitoring data is transmitted and monitored in real time by local environmental protection authorities via the Internet. At the same time, the local monitoring station regularly selects and tests samples from sewage treatment plants to ensure understanding and handling the sewage treatment situation of the plants.

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

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

(II) **Information on environmental protection of companies not under the Name List of Enterprises with Significant Waste Disposal**

Applicable Not applicable

(III) **Undisclosed information on environmental protection of companies not under the Name List of Enterprises with Significant Waste Disposal**

Applicable Not applicable

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

Applicable Not applicable

(V) **Other explanations**

In 2019, CISDI Equipment Co., Ltd. (中冶賽迪裝備有限公司), a subsidiary of CISDI, was not included in the Name List of Enterprises under Special Supervision or Enterprises with Significant Waste Disposal published by the governments at the country, provincial, municipal and county level and departments of environmental protection, which was not calculated into the Company.

Significant Events

XV. CORPORATE GOVERNANCE AND GOVERNANCE OF THE COMPANY

During the Reporting Period, the Company continued to comply strictly with the laws and regulations including the *Company Law* and the *Securities Law of China*, and relevant laws and regulations of the place where the domestic and oversea shares are listed, and requirements of corporate governance in relation to the regulatory rules, constantly optimized the corporate governance systems. The Shareholders' Meeting, the Board and its Special Committees, as well as the Supervisory Committee of the Company operated and disclosed information in compliance with the laws and regulations in an efficient manner, actively expanded communication channels with investors and steadily improved the corporate governance level of the Company.

The Board of the Company has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period, the Company has complied with the requirements of the Corporate Governance Code, except for the code provisions E.1.2 and A.4.2 of the Corporate Governance Code. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Mr. Guo Wenqing, the Chairman of the Company, was not able to attend the 2018 annual general meeting due to business engagement. Pursuant to relevant requirements, Mr. Zhang Zhaoxiang, an executive Director and the Vice Chairman of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting. Pursuant to the requirements of the code provision A.4.2 of the Corporate Governance Code, each of the directors shall be subject to retirement by rotation at least once for every three years. From November 2014 to November 2017, the second session of the Board and the Supervisory Committee of the Company have been serving for three years. Pursuant to the provisions of the Articles of Association of the Company, prior to the establishment of the third session of the Board and the Supervisory Committee, the members of the second session of the Board and the Supervisory Committee shall continue to discharge their duties. During the Reporting Period, pursuant to the provisions of the Articles of Association, the Company completed the change of session of the Board and the Supervisory Committee, and the third session of the Board and the Supervisory Committee were established and new session of the Directors and Supervisors were elected. On 12 March 2019, the Company convened the 2019 first extraordinary general meeting, at which 6 non-employee representative Directors of the third session of the Board were elected to jointly constitute the third session of the Board of the Company with 1 employee representative Director elected at the employee representative congress held on 11 March 2019. On 12 March 2019, the Company convened the first meeting of the third session of the Board, at which the Chairman and Vice Chairman were elected. The third session of the Board of the Company comprised of 7 Directors with Guo Wenqing as the Chairman and an executive Director, Zhang Zhaoxiang as the Vice Chairman and an executive Director, Zhou Jichang, Yu Hailong, Ren Xudong and Chan Ka Keung Peter as Independent Non-executive Directors, and Lin Jinzhen as the employee representative Director (non-executive Director). Two non-employee representative Supervisors for the third session of the Supervisory Committee were elected at the 2019 First Extraordinary General Meeting of the Company held on 12 March 2019, and one employee representative Supervisor was elected at the employee representative meeting held on 11 March 2019, who jointly constituted the third session of the Supervisory Committee. Chairman of the Supervisory Committee was elected at the first meeting of the third session of the Supervisory Committee on 12 March 2019. The third session of the Supervisory Committee of the Company comprised three Supervisors with Cao Xiuyun as the Chairman, Zhang Yandi as a Supervisor and Chu Zhiqi as an employee representative Supervisor.

Besides, the Company actively responded to the regulatory requirements to improve the corporate governance of the Company. The Company made amendments to the Articles of Association and the Rules of Procedures for General Meeting of MCC in accordance with the latest requirement under Guidelines on Articles of Association of Listed Companies and Hong Kong Listing Rules, which were approved by the general meeting of shareholders of the Company. Meanwhile, on the basis of production and operation of the Company, the Company has updated and improved the provisions on the Proxy Form of President (President Office) by the Board of Metallurgical Corporation of China Ltd..

During the Reporting Period, the convening of each meeting is in compliance with the relevant requirements of the Company Law and the Articles of Association. During the Reporting Period, the Company convened 2 Shareholders' meetings, 5 Board meetings, 6 meetings of Special Committees, and 3 meetings of Supervisory Committee in total.

Significant Events

The Company has adopted the Model Code as the code governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all the Directors and Supervisors, the Company is of the view that all Directors and Supervisors fully complied with the Model Code and requirements set out thereof during the six months ended 30 June 2019.

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

The Finance and Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2019. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2019 had been in compliance with the applicable accounting principles as well as laws and regulations, and had made proper disclosures.

XVII. EXPLANATION ON OTHER SIGNIFICANT EVENTS

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

In 2018, the Ministry of Finance newly revised the Accounting Standards for Business Enterprises No. 21 – Leases, and revised the Accounting Standards for Business Enterprises No. 7 – Non-monetary Assets Exchange and Accounting Standards for Business Enterprises No. 12 – Debt Restructuring in 2019, and issued the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for the Year 2019 on 30 April 2019. For details of the impact on the financial statements of the Company, please refer to Note V 28 to the "Financial Statements and Review Report" of this report.

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

Applicable Not applicable

(III) Others

Applicable Not applicable

Changes in Ordinary Shares and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in shares

1. Changes in shares

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

Explanation on the changes in shares

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(II) Changes in shares subject to selling restrictions

Applicable Not applicable

II. PARTICULARS OF SHAREHOLDERS

(I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period (<i>Person</i>)	424,999
Total number of Shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period (<i>Person</i>)	0

Changes in Ordinary Shares and Particulars of Shareholders

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

Unit: share

Shareholding of the top 10 Shareholders

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged or frozen		Nature of Shareholder
					Status of Shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	0	11,643,400,100	56.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited ⁽²⁾ (香港中央結算(代理人)有限公司)	83,101	2,841,549,101	13.71	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	620,195,642	2.99	0	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	19,882,603	132,595,763	0.64	0	Nil	0	Others
China Merchants Bank Co., Ltd. – Boserá CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (招商銀行股份有限公司– 博時中證央 企結構調整交易型開放式指數證券投資 基金)	-118,569,972	121,198,133	0.58	0	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person
Zhang Jingchun (張景春)	200,000	72,815,002	0.35	0	Nil	0	Domestic natural person
Boserá Funds – Agricultural Bank – Boserá China Securities and Financial Assets Management Program (博時基金– 農業銀行– 博時 中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方 達基金– 農業銀行– 易方達中證金融 資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program (大成基金– 農業銀行– 大成 中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program (嘉實基金– 農業銀行– 嘉實 中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others

Changes in Ordinary Shares and Particulars of Shareholders

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged or frozen Status of Shares	Amount	Nature of Shareholder
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發 基金–農業銀行–廣發中證金融資產 管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program (中歐基金–農業銀行–中歐 中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
ChinaAMC Fund – Agricultural Bank – ChinaAMC China Securities and Financial Assets Management Program (華夏基金–農業銀行–華夏 中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program (銀華基金–農業銀行–銀華 中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基金–農 業銀行–南方中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program (工銀瑞信基 金–農業銀行–工銀瑞信中證金融資 產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others

Changes in Ordinary Shares and Particulars of Shareholders

Shareholding of top 10 Shareholders not subject to selling restrictions

Unit: share

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	11,643,400,100	RMB-denominated ordinary shares	11,643,400,100
HKSCC Nominees Limited ⁽²⁾ (香港中央結算(代理人)有限公司)	2,841,549,101	Overseas-listed foreign shares	2,841,549,101
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	620,195,642	RMB-denominated ordinary shares	620,195,642
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	132,595,763	RMB-denominated ordinary shares	132,595,763
China Merchants Bank Co., Ltd. – Bosera CSI State-Owned Enterprises Structural Adjustment Index ETF Security Investment Fund (招商銀行股份有限公司 – 博時中證央企結構調整交易型開放式指數證券投資基金)	121,198,133	RMB-denominated ordinary shares	121,198,133
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Zhang Jingchun (張景春)	72,815,002	RMB-denominated ordinary shares	72,815,002
Bosera Funds – Agricultural Bank – Bosera China Securities and Financial Assets Management Program (博時基金 – 農業銀行 – 博時中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金 – 農業銀行 – 易方達中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program (嘉實基金 – 農業銀行 – 嘉實中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發基金 – 農業銀行 – 廣發中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program (中歐基金 – 農業銀行 – 中歐中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
ChinaAMC Fund – Agricultural Bank – ChinaAMC China Securities and Financial Assets Management Program (華夏基金 – 農業銀行 – 華夏中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program (銀華基金 – 農業銀行 – 銀華中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基金 – 農業銀行 – 南方中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program (工銀瑞信基金 – 農業銀行 – 工銀瑞信中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600

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

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

Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held

Not applicable

Note (1): Figures in the table were extracted from the Company's register of Shareholders as at 30 June 2019.

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

Changes in Ordinary Shares and Particulars of Shareholders

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

Applicable Not applicable

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

Applicable Not applicable

III. CHANGES IN CONTROLLING SHAREHOLDER OR DE FACTO CONTROLLERS

Applicable Not applicable

On 8 December 2015, the SASAC of the State Council approved the strategic restructuring between China Minmetals and CMGC, the controlling shareholders of the Company. After the completion of the strategic restructuring, the entire CMGC would be consolidated into China Minmetals, and China Minmetals would become the indirect controlling shareholder of the Company. On 10 May 2019, the Company received notice from CMGC that CMGC has completed the change of industrial and commercial registration, whose contributor changed from the SASAC of the State Council to China Minmetals. Therefore, the Company has become the indirect controlling subsidiary of China Minmetals. It remains unchanged that CMGC is the controlling shareholder of MCC and the SASAC of the State Council is the ultimate controller of MCC.

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

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

Particulars of Directors, Supervisors and Senior Management

I. PARTICULARS OF CHANGES IN SHAREHOLDING

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

Unit: share

Name	Position	Number of Shares held at the beginning of the period	Number of Shares held at the end of the period	Changes in Shares during the Reporting Period	Reason for the changes
Current					
Guo Wenqing	Chairman and Executive Director	130,000	130,000	0	–
Zhang Zhaoxiang	Vice Chairman and Executive Director	80,000	80,000	0	–
Zhou Jichang ⁽¹⁾	Independent Non-executive Director	0	0	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	–
Cao Xiuyun ⁽¹⁾	Chairman of Supervisory Committee	0	0	0	–
Zhang Yandi ⁽¹⁾	Supervisor	0	0	0	–
Chu Zhiqi ⁽¹⁾	Employee Representative Director	0	0	0	–
Zhang Mengxing	President	60,032	60,032	0	–
Zou Hongying	Vice President and Chief Accountant	40,000	40,000	0	–
Wang Shilei	Vice President	0	0	0	–
Qu Yang	Vice President	70,000 ⁽³⁾	70,000 ⁽³⁾	0	–
Yan Aizhong ⁽¹⁾	Vice President	0	0	0	–
Zeng Jianzhong	Vice President	0	0	0	–
Zhang Ye	Vice President	0	0	0	–
Liu Fuming ⁽¹⁾	Vice President	0	0	0	–
Zeng Gang ⁽¹⁾	Secretary to the Board	0	0	0	–
Resigned					
Jing Tianliang ⁽¹⁾	Non-executive Director	117,500	117,500	0	–
Peng Haiqing ⁽¹⁾	Supervisor	41,500	41,500	0	–
Shao Bo ⁽¹⁾	Employee Representative Director	34,800 ⁽²⁾	34,800 ⁽²⁾	0	–
Li Yuzhuo ⁽¹⁾	Secretary to the Board	55,000	55,000	0	–

Notes (1): Please refer to the section headed "II. Changes of Directors, Supervisors and Senior Management of the Company" of this chapter for details of changes in duties of Mr. Zhou Jichang, Mr. Jing Tianliang, Mr. Cao Xiuyun, Ms. Zhang Yandi, Mr. Chu Zhiqi, Mr. Liu Fuming, Mr. Peng Haiqing, Mr. Shao Bo, Mr. Yan Aizhong, Mr. Zeng Gang and Ms. Li Yuzhuo during the Reporting Period.

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

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

Particulars of Directors, Supervisors and Senior Management

(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
Zhou Jichang	Independent Non-executive Director	Elected
Cao Xiuyun	Chairman of Supervisory Committee	Elected
Zhang Yandi	Supervisor	Elected
Chu Zhiqi	Employee Representative Supervisor	Elected
Yan Aizhong	Vice President	Appointed
Liu Fuming	Vice President	Appointed
Zeng Gang	Secretary to the Board	Appointed
Jing Tianliang	Non-executive Director	Resigned
Yan Aizhong	Supervisor	Resigned
Peng Haiqing	Supervisor	Resigned
Shao Bo	Supervisor	Resigned
Li Yuzhuo	Secretary to the Board	Resigned

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

- (1) On 12 March 2019, the Company completed the election of the new session of the Board and Supervisory Committee, the third session of the Board and the Supervisory Committee were established and new Directors and Supervisors were elected.
- (2) On 3 April 2018, the Supervisory Committee of the Company received the written resignation tendered by Mr. Yan Aizhong, a Supervisor. Due to adjustment of work arrangements, Mr. Yan Aizhong resigned from his position as a Supervisor of the Company. Since the resignation of Mr. Yan Aizhong will result in the number of Supervisors on the Supervisory Committee of the Company falling below the quorum as required by law, Mr. Yan Aizhong, in accordance with the requirements of the Articles of Association and relevant laws and regulations, continued to perform his duty as a Supervisor until a newly elected Supervisor takes office until the new session of the Supervisory Committee were elected by the Company on 12 March 2019. On 3 April 2018, the Board of the Company approved the resolution in relation to the appointment of Mr. Yan Aizhong as the vice president of the Company with the term of office commencing on 12 March 2019.
- (3) On 30 August 2018, the Supervisory Committee of the Company received the written resignation tendered by Mr. Peng Haiqing, a Supervisor. Due to adjustment of work arrangements, Mr. Peng Haiqing resigned from his position as a Supervisor of the Company. Since the resignation of Mr. Peng Haiqing will result in the number of Supervisors on the Supervisory Committee of the Company falling below the quorum as required by law, Mr. Peng Haiqing, in accordance with the requirements of the Articles of Association and relevant laws and regulations, continued to perform his duty as a Supervisor until a newly elected Supervisor takes office, until the new session of Supervisory Committee was elected by the Company on 12 March 2019.

Particulars of Directors, Supervisors and Senior Management

III. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Company employed a total of 94,997 employees.

Number of Current Employees (*in persons*) 94,997

Categories of Educational Level	Level of Education	Number <i>(in persons)</i>	Percentage
Above Postgraduate		10,553	11.1%
Undergraduate		43,560	45.9%
College Degree		16,746	17.6%
Below College Degree		24,138	25.4%

Structure of Ages	Structure of Ages	Number <i>(in persons)</i>	Percentage
Aged 56 and above		4,180	4.4%
Aged 51–55		11,477	12.1%
Aged 46–50		15,306	16.1%
Aged 41–45		11,233	11.8%
Aged 36–40		14,589	15.4%
Aged 35 and below		38,212	40.2%

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

Particulars of 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 2019, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive of the Company or their associates in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: share

Name	Position	Class of Shares	Long/ short position	Capacity	Number of Shares	Percentage of the relevant class of Shares in issue (%)	Percentage of the total number of Shares in issue (%)
Directors							
Guo Wenqing	Chairman and Executive Director	A Shares	Long position	Beneficial owner	130,000	0	0
Zhang Zhaoxiang	Vice Chairman and Executive Director	A Shares	Long position	Beneficial owner	80,000	0	0
Lin Jinzhen	Employee Representative Director (Non-executive Director)	A Shares	Long position	Beneficial owner	60,000	0	0
Chief executive (President)							
Zhang Mengxing	President	A Shares	Long position	Beneficial owner	60,032	0	0

Save as disclosed above, as at 30 June 2019, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange by the Directors and Supervisors pursuant to the Model Code.

Particulars of 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 2019, 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 (%)
Zou Hongying	Vice President and Chief Accountant	A Shares	Long position	Beneficial owner	40,000	0	0
Qu Yang	Vice President	H Shares	Long position	Beneficial owner	70,000	0	0

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

As at 30 June 2019, the Company was informed that the following persons had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

Unit: share

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

Holders of H Shares

Unit: share

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

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 30 June 2019, in accordance with the register required to be kept under Section 336 of the SFO, no other person or corporation has an interest or short position in the Company's share capital that would require disclosure to the Company under Divisions 2 and 3 of Part XV of the SFO.

Corporate Bonds

I. BASIC INFORMATION ON CORPORATE BONDS

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

Unit: RMB100 million

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange
2017 Renewable Corporate Bonds (First Tranche)	17 MCC Y1	136987	28 February 2017 to 1 March 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (1 March) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	27	4.99	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE
2017 Renewable Corporate Bonds (Second Tranche)	17 MCC Y3	136972	10 March 2017 to 13 March 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (13 March) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	20	4.98	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE
2017 Renewable Corporate Bonds (Third Tranche)	17 MCC Y5	143902	10 July 2017 to 11 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (11 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	20	5.10	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE

Corporate Bonds

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange
2017 Renewable Corporate Bonds (Fourth Tranche)	17 MCC Y7	143907	27 July 2017 to 28 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (28 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	13	5.10	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year if the issuer does not exercise the right to postpone the payment of interest. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	SSE
2017 Corporate Bonds (First Tranche) under the Public Issuance	17 MCC 01	143361	24 October 2017 to 25 October 2017	25 October 2022 (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	5.7	4.99	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	SSE
2018 Corporate Bonds (First Tranche) under the Public Issuance	18 MCC 01	143634	7 May 2018 to 8 May 2018	8 May 2021 (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	8.7	4.78	This tranche of bonds shall bear interest on a yearly basis at single rate rather than compound rate and interest shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interest for the last tranche shall also be paid at the same time	SSE
	18 MCC 02	143635		8 May 2023 (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interest shall be charged on such postponed period)	2.2	4.98		

Payment of interest principal amount of corporate bonds

As of the date of publication of this report, the interest on 2017 Renewable Corporate Bonds (First Tranche) was paid on 1 March 2019, the interest on 2017 Renewable Corporate Bonds (Second Tranche) was paid on 13 March 2019, the interest on 2017 Renewable Corporate Bonds (Third Tranche) was paid on 11 July 2019, the interest on 2017 Renewable Corporate Bonds (Fourth Tranche) was paid on 29 July 2019, and the interest on 2018 Corporate Bonds (First Tranche) under the Public Issuance was paid on 8 May 2019.

The interest on 2017 Corporate Bonds (First Tranche) under the Public Issuance was paid on 25 October 2018 and the date of interest payment for the year is 25 October 2019 (where it is a non-trading day, payment shall be postponed to the following trading day, during which no additional interest shall be accrued on the interest payment).

Corporate Bonds

Other Explanation on corporate bonds

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

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

Bond trustee	Name	China Merchants Securities Co., Ltd.
	Office address	17th Floor, 3rd Building, China Merchant Bank Mansion, No. 1 Yuetan South Street, Xicheng District, Beijing, PRC
	Contact persons	Zhang Hao, Yang Dong
	Contact No.	010-60840906
Credit ranking institution	Name	China Chengxin Securities Rating Co., Ltd.
	Office address	Anji Building, No. 760 Tibet South Road, Huangpu District, Shanghai, PRC

III. USE OF PROCEEDS OF CORPORATE BONDS

As of the date of publication of this report, proceeds from 2017 Renewable Corporate Bonds (First Tranche), 2017 Renewable Corporate Bonds (Second Tranche), 2017 Renewable Corporate Bonds (Third Tranche), 2017 Renewable Corporate Bonds (Fourth Tranche), 2017 Corporate Bonds (First Tranche) under the Public Issuance and 2018 Corporate Bonds (First Tranche) under the Public Issuance have been utilized. The use of the entire proceeds of the corporate bonds of the Company is in line with the intended use, plan of use and other purposes as stipulated in the prospectuses.

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

IV. RANKING OF CORPORATE BONDS

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

According to the credit ranking report (Xin Ping Wei Han Zi [2017] No. G112-F1) issued by China Chengxin Securities Rating Co., Ltd. on 3 March 2017, "2017 Renewable Corporate Bonds (Second Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company was ranked AAA with stable outlook. The ranking of indebtedness for the period is AAA.

According to the credit ranking report (Xin Ping Wei Han Zi [2017] No. G293-F2) issued by China Chengxin Securities Rating Co., Ltd. on 27 June 2017, "2017 Renewable Corporate Bonds (Third Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company was ranked AAA with stable outlook. The ranking of indebtedness for the period is AAA.

According to the credit ranking report (Xin Ping Wei Han Zi [2017] No. G346-F3) issued by China Chengxin Securities Rating Co., Ltd. on 19 July 2017, "2017 Renewable Corporate Bonds (Fourth Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company was ranked AAA with stable outlook. The ranking of indebtedness for the period is AAA.

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

According to the credit ranking report (Xin Ping Wei Han Zi [2018] No. G195-F2) issued by China Chengxin Securities Rating Co., Ltd. on 23 April 2018, "2018 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company was ranked AAA with stable outlook. The ranking of indebtedness for the period is AAA.

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

China Chengxin Securities Rating Co., Ltd. disclosed a follow-up and ranking report for the above corporate bonds on the website of SSE on 28 May 2019 to inform investors in this regard.

According to the credit ranking report (Xin Ping Wei Han Zi [2019] Gen Zong No. 230) issued by China Chengxin Securities Rating Co., Ltd. on 23 May 2019, "2017 Renewable Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.", "2017 Renewable Corporate Bonds (Second Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd.", "Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd." and "2017 Renewable Corporate Bonds (Fourth Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company was remained the ranking of AAA with stable outlook. The above credit ranking of indebtedness for the period remained as AAA.

According to the credit ranking report (Xin Ping Wei Han Zi [2019] Gen Zong No. 229) issued by China Chengxin Securities Rating Co., Ltd. on 23 May 2019, "2017 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." and "2018 Corporate Bonds (First Tranche) under the Public Issuance by Metallurgical Corporation of China Ltd." of the Company was remained the ranking of AAA with stable outlook. The credit ranking of indebtedness for the period remained as AAA.

Corporate Bonds

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

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

VI. CONVENTION OF CORPORATE BONDHOLDERS' MEETINGS

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

VII. PERFORMANCE OF DUTIES OF THE TRUSTEE OF CORPORATE BONDS

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

The bond trustee of corporate bonds "17 MCC Y1", "17 MCC Y3", "17 MCC Y5", "17 MCC Y7", "17 MCC 01", "18 MCC 01" and "18 MCC 02" issued 2018 trustee reports in relation to respective corporate bonds on the website of Shanghai Stock Exchange on 29 June 2019 to remind investors for concern.

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

Major Indicators	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease for the end of the Reporting Period as compared to the end of the previous year
Current Ratio	1.12	1.14	Decreased by 0.02
Quick Ratio	0.69	0.72	Decreased by 0.03
Asset-liability Ratio (%)	76.76	76.61	Increased by 0.15 percentage point
Loan Repayment Ratio (%)	100	100	0

Major Indicators	Reporting Period (January – June)	Corresponding period of the previous year	Increase/decrease for the Reporting Period as compared to the corresponding period of the previous year
EBITDA/Interest Protection Multiples	2.77	2.91	Decreased by 0.14
Interest Payment Ratio (%)	100	100	0

IX. OVERDUE DEBT

Applicable Not Applicable

Corporate Bonds

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

During the Reporting Period, in addition to corporate bonds, the Company was also in possession of other debt financing instruments, such as medium-term notes, all of which were paid on schedule and did not have any delay or failure in the payment of interest and principal.

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

The Company maintained good long-term relationship with banks and other financial institutions and obtained credit facilities with relatively greater amount, and also had relatively stronger ability in indirect debt financing. As at the end of the Reporting Period, the Company obtained a total of RMB538.7 billion from various financial institutions, of which RMB202.1 billion were utilized and RMB336.6 billion were unutilized.

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

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

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

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

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

Financial Statements and Review Report

I. REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Applicable Not Applicable

De Shi Bao (Yue) Zi (19) No. R00045

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

We have reviewed the accompanying interim financial statements of Metallurgical Corporation of China Ltd. (the "Company"), which comprised the consolidated and Company's balance sheets as at 30 June 2019, the consolidated and Company's income statements, the consolidated and Company's statements of changes in shareholders' equity and the consolidated and Company's cash flow statements for the six months then ended, and notes to the financial statements (hereinafter collectively referred to as the "Interim Financial Statements"). The preparation of the Interim Financial Statements is the responsibility of the Company's management. Our responsibility is to deliver a report on review of these Interim Financial Statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of Metallurgical Corporation of China Ltd. are not prepared, in all material respects, in accordance with China Accounting Standards, and cannot present fairly, in all material respects, the consolidated and Company's financial positions as at 30 June 2019 and the consolidated and Company's operating performance and cash flows for the six months then ended.

Deloitte Touche Tohmatsu CPA LLP.
Shanghai, China

Chinese Certified Public Accountants:

Chen Wen Long
Zhou Hong Yu
30 August 2019

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

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

30 JUNE 2019

All amounts in RMB'000

Items	Notes	30 June 2019	31 December 2018
Current Assets:			
Cash and bank balances	VII 1	38,385,580	44,477,302
Financial assets held for trading	VII 2	1,039	1,124,150
Derivative financial assets		–	2,365
Bills receivable	VII 3	15,236,839	18,363,632
Accounts receivable	VII 4	66,567,677	66,958,297
Receivables at FVTOCI	VII 5	5,722,634	2,072,511
Prepayments	VII 6	23,185,396	20,285,773
Other receivables	VII 7	62,213,693	56,385,242
Inventories	VII 8	58,244,261	57,608,321
Contract assets	VII 9	74,694,725	66,719,549
Non-current assets due within one year	VII 10	3,002,921	3,498,610
Other current assets	VII 11	2,472,497	1,924,819
Total Current Assets		349,727,262	339,420,571
Non-current Assets:			
Long-term receivables	VII 12	23,310,519	21,620,682
Long-term equity investments	VII 13	15,736,055	13,854,855
Investments in other equity instruments	VII 14	1,875,161	1,867,964
Other non-current financial assets	VII 15	4,425,069	4,214,624
Investment properties	VII 16	5,312,446	5,392,133
Fixed assets	VII 17	26,397,894	27,370,040
Construction in progress	VII 18	4,564,895	3,379,971
Right-of-use assets	VII 19	533,030	--
Intangible assets	VII 20	16,308,295	16,133,729
Goodwill	VII 21	163,096	163,179
Long-term prepayments	VII 22	232,310	269,670
Deferred tax assets	VII 23	5,272,171	5,152,432
Other non-current assets	VII 24	117,152	75,993
Total Non-current Assets		104,248,093	99,495,272
TOTAL ASSETS		453,975,355	438,915,843

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

30 JUNE 2019

All amounts in RMB'000

Items	Notes	30 June 2019	31 December 2018
Current Liabilities:			
Short-term borrowings	VII 25	49,148,469	47,973,564
Derivative financial liabilities	VII 26	2,615	496
Bills payable	VII 27	29,887,558	27,751,007
Accounts payable	VII 28	118,549,687	113,260,891
Receipts in advance	VII 29	246,541	191,783
Contract liabilities	VII 30	55,175,962	58,918,293
Employee benefits payable	VII 31	2,112,890	1,958,161
Taxes payable	VII 32	2,478,075	3,794,064
Other payables	VII 33	30,167,254	23,553,227
Non-current liabilities due within one year	VII 34	19,176,150	14,772,502
Other current liabilities	VII 35	5,131,361	4,811,859
Total Current Liabilities		312,076,562	296,985,847
Non-current Liabilities:			
Long-term borrowings	VII 36	27,650,188	23,793,236
Bonds payable	VII 37	1,660,000	8,512,091
Lease liabilities	VII 38	322,474	--
Long-term payables	VII 39	1,093,495	1,180,520
Long-term employee benefits payable	VII 40	3,428,525	3,496,853
Provisions	VII 41	790,488	861,739
Deferred income	VII 42	1,325,110	1,290,126
Deferred tax liabilities	VII 23	104,584	111,387
Other non-current liabilities	VII 43	14,600	14,600
Total Non-current Liabilities		36,389,464	39,260,552
TOTAL LIABILITIES		348,466,026	336,246,399

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED)

30 JUNE 2019

All amounts in RMB'000

Items	Notes	30 June 2019	31 December 2018
Shareholders' Equity:			
Share capital	VII 44	20,723,619	20,723,619
Other equity instruments	VII 45	16,524,290	15,924,290
Including: Perpetual bond		16,524,290	15,924,290
Capital reserve	VII 46	22,512,969	22,492,676
Other comprehensive income	VII 47	(230,748)	(212,142)
Special reserve	VII 48	12,550	12,550
Surplus reserve	VII 49	1,455,419	1,455,419
Retained earnings	VII 50	25,091,129	23,546,950
Total shareholders' equity attributable to shareholders of the Company		86,089,228	83,943,362
Non-controlling interests		19,420,101	18,726,082
TOTAL SHAREHOLDERS' EQUITY		105,509,329	102,669,444
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		453,975,355	438,915,843

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET 30 JUNE 2019

All amounts in RMB'000

Items	Notes	30 June 2019	31 December 2018
Current Assets:			
Cash and bank balances		2,503,804	2,523,125
Accounts receivable	XVI 1	198,757	318,972
Prepayments		418,026	421,651
Other receivables	XVI 2	38,642,012	37,484,465
Inventories		992	998
Contract assets		1,424,648	1,039,354
Non-current assets due within one year	XVI 3	1,860,707	1,357,037
Total Current Assets		45,048,946	43,145,602
Non-current Assets:			
Long-term receivables	XVI 3	513,980	1,723,980
Long-term equity investments	XVI 4	88,474,615	87,862,027
Other equity instrument investments		247	212
Fixed assets		11,730	12,755
Right-of-use assets		50,910	--
Intangible assets		7,807	8,777
Total Non-current Assets		89,059,289	89,607,751
TOTAL ASSETS		134,108,235	132,753,353

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET (CONTINUED)

30 JUNE 2019

All amounts in RMB'000

Items	Notes	30 June 2019	31 December 2018
Current Liabilities:			
Short-term borrowings	XVI 5	30,508,307	28,364,963
Accounts payable		1,290,137	941,091
Contract liabilities		1,173,823	1,068,383
Employee benefits payable		14,163	13,276
Taxes payable		43,203	57,306
Other payables	XVI 6	14,093,143	14,060,124
Non-current liabilities due within one year	XVI 7	1,959,493	2,074,231
Other current liabilities		627	–
Total Current Liabilities		49,082,896	46,579,374
Non-current Liabilities:			
Long-term borrowings	XVI 8	5,900,000	5,875,000
Bonds payable	VII 37	1,660,000	1,660,000
Lease liabilities		29,763	–
Long-term payables		378,980	300,000
Long-term employee benefits payable		17,044	17,915
Provisions		121,879	128,054
Deferred income		4,411	4,411
Total Non-current Liabilities		8,112,077	7,985,380
TOTAL LIABILITIES		57,194,973	54,564,754
Shareholders' Equity:			
Share capital		20,723,619	20,723,619
Other equity instruments	VII 45	16,524,290	15,924,290
Including: Perpetual bond		16,524,290	15,924,290
Capital reserve		38,001,042	38,001,042
Other comprehensive income		645	609
Special reserve		12,550	12,550
Surplus reserve		1,455,419	1,455,419
Retained earnings		195,697	2,071,070
TOTAL SHAREHOLDERS' EQUITY		76,913,262	78,188,599
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		134,108,235	132,753,353

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I. Total operating revenue		159,017,379	126,112,573
Including: Operating revenue	VII 51	159,017,379	126,112,573
II. Total operating costs		153,294,197	119,373,832
Including: Operating costs	VII 51	141,523,492	110,641,099
Taxes and levies	VII 52	1,191,138	1,190,698
Selling expenses	VII 53	1,030,968	830,485
Administrative expenses	VII 54	4,147,974	3,826,959
Research and development expenses	VII 55	3,716,817	1,447,867
Financial expenses	VII 56	1,683,808	1,436,724
Including: Interest expenses		2,386,058	1,953,929
Interest income		1,149,521	1,009,496
Add: Other income	VII 57	76,097	72,940
Investment (losses) income	VII 58	(198,337)	62,708
Including: Losses from investments in associates and joint ventures		(41,053)	(36,310)
Losses from derecognition of financial assets at amortised cost		(249,984)	(28,441)
(Losses) gains from changes in fair values	VII 59	(3,711)	8,189
Impairment losses of credit	VII 60	(764,520)	(1,039,010)
Impairment losses of assets	VII 61	(28,970)	(970,746)
Gains on disposal of assets	VII 62	20,560	36,944
III. Operating profit		4,824,301	4,909,766
Add: Non-operating income	VII 63	103,259	203,788
Less: Non-operating expenses	VII 64	45,371	449,906
IV. Total profit		4,882,189	4,663,648
Less: Income tax expenses	VII 65	1,103,931	1,164,680
V. Net profit		3,778,258	3,498,968
(I) Net profit classified by operating continuity			
Net profit from continuing operations		3,778,258	3,498,968
Net profit from discontinued operations		–	–
(II) Net profit classified by ownership ascription			
Net profit attributable to shareholders of the Company		3,156,882	2,907,197
Profit or loss attributable to non-controlling interests		621,376	591,771

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED) FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
VI. Other comprehensive income, net of income tax	VII 66	(2,596)	(171,555)
Other comprehensive income attributable to shareholders of the Company, net of income tax		(1,921)	(163,855)
(I) Items that will not be reclassified to profit or loss		19,427	(203,907)
1. Re-measurement of defined benefit obligations		410	(120,171)
2. Changes in fair values of investments in other equity instruments		19,017	(83,736)
(II) Items that may be reclassified to profit or loss		(21,348)	40,052
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		(27)	20
2. Changes in fair value of receivables at FVTOCI		(43,335)	–
3. Exchange differences on translating financial statements in foreign currencies		22,014	40,032
Other comprehensive income attributable to non-controlling interests, net of income tax		(675)	(7,700)
VII. Total comprehensive income		3,775,662	3,327,413
Total comprehensive income attributable to shareholders of the Company		3,154,961	2,743,342
Total comprehensive income attributable to non-controlling interests		620,701	584,071
VIII. Earnings per share	XV 3		
(I) Basic earnings per share (RMB/share)		0.13	0.12
(II) Diluted earnings per share (RMB/share)		Not Applicable	Not Applicable

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S INCOME STATEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I. Operating revenue	XVI 9	2,264,878	2,074,739
Less: Operating costs	XVI 9	2,217,721	1,976,167
Taxes and levies		1,000	1,557
Administrative expenses		82,865	72,750
Financial expenses		193,937	347,885
Including: Interest expenses		1,018,392	832,852
Interest income		812,788	744,577
Add: Investment income (losses)	XVI 10	1,620	(3,094)
Including: Gains (losses) from investments in associates and joint ventures		1,620	(3,094)
Impairment losses of credit	XVI 11	(2,006)	(1,158)
(Losses) gains from disposal of assets		(38)	2
II. Operating profit		(231,069)	(327,870)
Add: Non-operating income		661	6
Less: Non-operating expenses		757	22
III. Total profit		(231,165)	(327,886)
Less: Income tax expenses		14,820	6,272
IV. Net profit		(245,985)	(334,158)
Net profit from continuing operations		(245,985)	(334,158)
Net profit from discontinued operations		–	–
V. Other comprehensive income, net of income tax		36	(640)
(I) Items that will not be reclassified to profit or loss		36	(640)
1. Changes in re-measurement of defined benefit obligations		1	(640)
2. Changes in fair value of investments in other equity instruments		35	–
VI. Total comprehensive income		(245,949)	(334,798)

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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 the sale of goods and the rendering of services		154,739,444	127,628,770
Receipts of tax refunds		457,092	491,011
Other cash receipts relating to operating activities	VII 67(1)	2,031,605	1,362,746
Sub-total of cash inflows from operating activities		157,228,141	129,482,527
Cash payments for goods purchased and services received		136,242,339	112,538,657
Cash payments to and on behalf of employees		10,633,165	9,270,649
Payments of various types of taxes		6,936,841	6,363,212
Other cash payments relating to operating activities	VII 67(2)	8,647,824	9,416,601
Sub-total of cash outflows from operating activities		162,460,169	137,589,119
Net Cash Flows from Operating Activities	VII 68(1)	(5,232,028)	(8,106,592)
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,292,991	37,507
Cash receipts from investment income		152,138	61,509
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		181,509	71,844
Net cash receipts from disposal of subsidiaries and other business units		–	41,452
Other cash receipts relating to investing activities	VII 67(3)	778,879	1,068,770
Sub-total of cash inflows from investing activities		2,405,517	1,281,082
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,451,598	2,695,714
Cash payments to acquire investments		2,333,054	4,386,523
Other cash payments relating to investing activities	VII 67(4)	1,966,634	558,670
Sub-total of cash outflows from investing activities		5,751,286	7,640,907
Net Cash Flows from Investing Activities		(3,345,769)	(6,359,825)

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED) FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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		1,098,369	3,299,355
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		498,369	3,299,355
Cash receipts from issue of perpetual bond		600,000	–
Cash receipts from borrowings		64,458,282	69,391,175
Sub-total of cash inflows from financing activities		65,556,651	72,690,530
Cash repayments of borrowings		58,483,741	51,691,916
Cash payments for distribution of dividends or profits or settlement of interest expenses		4,305,203	3,570,832
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		323,944	171,010
Other cash payments relating to financing activities	VII 67(5)	935,430	695,296
Sub-total of cash outflows from financing activities		63,724,374	55,958,044
Net Cash Flows from Financing Activities		1,832,277	16,732,486
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		12,050	37,733
V. Net (Decrease) Increase in Cash and Cash Equivalents		(6,733,470)	2,303,802
Add: Opening balance of Cash and Cash equivalents		33,151,002	36,464,134
VI. Closing Balance of Cash and Cash Equivalents	VII 68(2)	26,417,532	38,767,936

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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 the sale of goods and the rendering of services		2,150,730	2,195,678
Receipts of tax refunds		661	–
Other cash receipts relating to operating activities		303,569	13,729
Sub-total of cash inflows from operating activities		2,454,960	2,209,407
Cash payments for goods purchased and services received		1,908,719	2,155,671
Cash payments to and on behalf of employees		44,265	40,175
Payments of various types of taxes		38,098	34,433
Other cash payments relating to operating activities		61,136	142,606
Sub-total of cash outflows from operating activities		2,052,218	2,372,885
Net Cash Flows from Operating Activities	XVI 12(1)	402,742	(163,478)
II. Cash Flows from Investing Activities:			
Cash receipts from investment income		138,564	268,514
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		97	19
Other cash receipts relating to investing activities		–	6
Sub-total of cash inflows from investing activities		138,661	268,539
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,079	1,916
Cash payments to acquire investments		613,950	710,738
Other cash payments relating to investing activities		464,822	6,247,265
Sub-total of cash outflows from investing activities		1,079,851	6,959,919
Net Cash Flows from Investing Activities		(941,190)	(6,691,380)

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT (CONTINUED) FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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 investments		600,000	–
Including: Cash receipts from issue of perpetual bond		600,000	–
Cash receipts from borrowings		39,395,114	45,000,388
Sub-total of cash inflows from financing activities		39,995,114	45,000,388
Cash repayments of borrowings		37,842,206	38,812,051
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,629,510	1,245,880
Other cash payments relating to financing activities		10,989	98
Sub-total of cash outflows from financing activities		39,482,705	40,058,029
Net Cash Flows from Financing Activities		512,409	4,942,359
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		6,698	(3,688)
V. Net Decrease in Cash and Cash Equivalents			
Add: Opening balance of Cash and Cash equivalents		2,511,810	4,648,065
VI. Closing Balance of Cash and Cash Equivalents	XVI 12(2)	2,492,469	2,731,878

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the six months period ended 30 June 2019								
	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
I. Closing balance of the preceding period	20,723,619	15,924,290	22,492,676	(212,142)	12,550	1,455,419	23,546,950	18,726,082	102,669,444
Add : Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Opening balance of the current period	20,723,619	15,924,290	22,492,676	(212,142)	12,550	1,455,419	23,546,950	18,726,082	102,669,444
III. Changes for the period	-	600,000	20,293	(18,606)	-	-	1,544,179	694,019	2,839,885
(I) Total comprehensive income	-	-	-	(1,921)	-	-	3,156,882	620,701	3,775,662
(II) Shareholders' contributions and reduction in capital	-	600,000	20,293	-	-	-	-	397,262	1,017,555
1. Capital contribution from owners	-	-	-	-	-	-	-	498,369	498,369
2. Capital contribution from holders of other equity instruments (Note VII 45)	-	600,000	-	-	-	-	-	-	600,000
3. Others	-	-	20,293	-	-	-	-	(101,107)	(80,814)
(III) Profit distribution	-	-	-	-	-	-	(1,629,388)	(323,944)	(1,953,332)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,629,388)	(323,944)	(1,953,332)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	(16,685)	-	-	16,685	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings (Note VII 14)	-	-	-	(16,685)	-	-	16,685	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	2,209,732	-	-	188,331	2,398,063
2. Amount utilized in the current period	-	-	-	-	(2,209,732)	-	-	(188,331)	(2,398,063)
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	20,723,619	16,524,290	22,512,969	(230,748)	12,550	1,455,419	25,091,129	19,420,101	105,509,329

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (CONTINUED)

All amounts in RMB'000

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

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

Items	For the six months period ended 30 June 2019							Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	
	I. Closing balance of the preceding period	20,723,619	15,924,290	38,001,042	609	12,550	1,455,419	
Add : Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the current period	20,723,619	15,924,290	38,001,042	609	12,550	1,455,419	2,071,070	78,188,599
III. Changes for the period	-	600,000	-	36	-	-	(1,875,373)	(1,275,337)
(I) Total comprehensive income	-	-	-	36	-	-	(245,985)	(245,949)
(II) Shareholders' contributions and reduction in capital	-	600,000	-	-	-	-	-	600,000
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	600,000	-	-	-	-	-	600,000
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	(1,629,388)	(1,629,388)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,629,388)	(1,629,388)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	20,723,619	16,524,290	38,001,042	645	12,550	1,455,419	195,697	76,913,262

Financial Statements and Review Report

For the six months period ended 30 June 2019

II. FINANCIAL STATEMENTS (CONTINUED)

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

All amounts in RMB'000

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

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

Legal Representative:
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

III. BASIC CORPORATE INFORMATION

1. Basic information of the Company

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

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

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

On 8 December 2015, the Strategic Restructuring between CMGC and China Minmetals Corporation (“CMC”) started upon the approval of the SASAC, whereby CMGC will be merged into CMC. In May 2019, CMGC completed changes of business registration and its contributor was then changed to CMC from SASAC. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company does not change before or after the Strategic Restructuring.

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

III. BASIC CORPORATE INFORMATION (CONTINUED)

1. Basic information of the Company (Continued)

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

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 30 August 2019.

2. Scope of consolidated financial statements

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

IV. BASIS OF PREPARATION

1. Basis of preparation

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

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

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

IV. BASIS OF PREPARATION (CONTINUED)

2. Accrual basis and measurement principle

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

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

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

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

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

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

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

3. Going concern

The Group has performed an assessment of the going concern for the following 12 months from 30 June 2019 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 2019 and consolidated and the Company's operating results and cash flows for the six months period then ended.

2. Accounting period

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

3. Business cycle

Business cycle refers to the period that starts from the purchase of assets for production and ends with the realization of cash or cash equivalent. The business cycle of infrastructure and property development business of the Group is normally over one year because the duration of construction and infrastructure warranty is relatively long. The business cycles of other businesses are in 12 months in general.

4. Reporting currency

The Company and its domestic subsidiaries choose RMB as their functional currency. The functional currency of the overseas subsidiaries of the Company is selected based on the primary economic environment where they operate. The Company adopts RMB to present its financial statements.

5. Business combinations

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Business combinations (Continued)

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Basis for preparation of consolidated financial statements

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

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

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

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

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

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

8. Cash and cash equivalents

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

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

(1) *Transactions denominated in foreign currencies*

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) *Transactions denominated in foreign currencies (Continued)*

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".

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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments

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

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

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

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

(1) *Classification and measurement of financial assets*

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

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

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

- Effective interest method and amortized cost

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

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

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

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

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

The financial assets classified as at FVTOCI by the Group are presented under the line item of "receivables at FVTOCI" in the balance sheet.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

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

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

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

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) *Impairment of financial instruments*

The Group shall recognize an impairment loss for expected credit losses on financial assets measured at amortized cost, financial assets at FVTOCI, contract assets and financial guarantee contracts.

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

For other financial instruments, the Group assesses changes in credit risks of the relevant financial instruments since initial recognition at each balance sheet date. If the credit loss of the financial instruments has been significantly increased since initial recognition, the Group will make a loss allowance at an amount of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instruments at an amount in the future 12-month expected credit losses. The increased or reversed amount of credit is recognized in profit or loss as impairment loss or gain. The Group has makes a loss allowance against amount of expected credit losses during the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial instruments (Continued)

(a) Significant increase of credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instruments as at the reporting date with the risk of a default occurring on the financial instruments as at the date of initial recognition. For financial guarantee contracts, when applying the provision of impairment of financial instruments, the Group shall take the date when it becomes the party making an irrevocable undertaking as the initial confirmation date.

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

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

At balance sheet date, if the Group judges that the financial instruments solely has lower credit risk, the Group will assume that the credit risk of the financial instruments has not been significantly increased since initial recognition. If the risk of default on financial instruments is low, the borrower's ability to meet its contractual cash flow obligations in the short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have a lower credit risk.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Impairment of financial instruments (Continued)

(b) Credit-impaired financial assets

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

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

(c) Determination of expected credit loss

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

- For a financial asset, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a financial guarantee contract, the credit loss is the present value of the difference between estimated amount paid by the Group for the credit loss incurred by the contract holder and the amount the Group expects to receive from the contract holder, the debtor or any other party;
- For a financial asset with credit-impaired at the balance sheet date, the credit loss is the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) *Impairment of financial instruments (Continued)*

(d) *Write-down of financial assets*

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

(3) *Transfer of financial assets*

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability.

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) *Classification and measurement of financial liabilities*

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

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

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

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

Financial liabilities meet one of the following conditions, indicating that the Group's purpose of undertaking the financial liabilities is transactional:

- The purpose of undertaking relevant financial liabilities is mainly for the recent repurchase;
- The relevant financial liabilities are part of the centrally managed identifiable financial instrument portfolio at initial recognition, and there is an objective evidence that there is a short-term profits will presence in the near future;
- Related financial liabilities are derivatives, except for derivatives that meet the definition of a financial guarantee contract and that are designated as effective hedging instruments.

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

The Group's financial liabilities measured at FVTPL are derivatives classified as financial liabilities which are presented as "derivative financial liabilities" in the balance sheet.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) Classification and measurement of financial liabilities

(b) Other financial liabilities

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

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

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

(c) Financial guarantee contracts

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder suffering losses in case the specific debtor fails to settle the debt in accordance with the initial or revised terms of debt instrument when the debt falls due. After initial recognition, the Group measure financial guarantee contracts at the higher of: (i) amount of loss allowance; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with related terms of Standards for Revenue.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(5) *Derecognition of financial liabilities*

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing debtor) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(6) *Equity instruments*

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

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

(7) *Derivatives*

Derivatives of the Group include USD foreign exchange option. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. Changes are recognized in current profit or loss.

(8) *Offsetting financial assets and financial liabilities*

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories

Applicable Not Applicable

(1) *Categories of inventories and initial measurement*

The Group's inventories are initially measured at cost. Inventories mainly include raw materials, material procurement, outsourced processing materials, work in progress, finished goods, materials in transit, costs to fulfil a contract, properties under development, completed properties held for sale etc.

(2) *Valuation method of inventories upon delivery*

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

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

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments

Applicable Not Applicable

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

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

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

(1) *Determination of investment cost*

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

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

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

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

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

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

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

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

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

If the recoverable amounts of the investments to subsidiaries, joint ventures and associates are less than their carrying amounts, an impairment loss should be recognized to reduce the carrying amounts to the recoverable amounts (Note V18).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

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

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

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

13. Investment properties

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Investment properties (Continued)

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

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

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

The difference between recoverable amounts of the investment properties under the carrying amount is referred to as impairment loss (Note V18).

14. Fixed assets

(1) Recognition criteria for fixed assets

Applicable Not Applicable

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. 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:

Applicable Not Applicable

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) Other explanations

Applicable Not Applicable

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

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

15. Construction in progress

Applicable Not Applicable

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Borrowing costs

Applicable Not Applicable

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

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

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

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

17. Intangible assets

(1) Valuation methods, service life, impairment test

Applicable Not Applicable

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

(a) Land use rights

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

(b) Mining rights

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

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

(c) *The right to use the franchise*

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

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

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

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

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

(d) *Software*

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

(e) *Patent and proprietary technologies*

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

(f) *Review the useful life and amortization method periodically*

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

(g) *The difference between recoverable amounts of the intangible assets under the carrying amount is referred to as impairment loss (Note V18).*

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets (Continued)

(2) Research and development expenditure

Applicable Not Applicable

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

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

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

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

18. Impairment of long-term assets

Applicable Not Applicable

The Company assesses at each balance sheet date whether there is any indication that the fixed assets, construction in progress, right-of-use assets, 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.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Impairment of long-term assets (Continued)

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.

19. Long-term prepayments

Applicable Not Applicable

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

20. Employee benefits

(1) Short-term employee benefits

Applicable Not Applicable

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)

20. Employee benefits (Continued)

(2) *Post-employment benefits*

Applicable Not Applicable

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

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

The Group provides supplementary pension benefits to certain retired employees, which is considered as defined benefit plans. The defined benefit plans obligation is calculated semiannually by independent actuaries using the projected unit credit method. The Group's defined benefit plans include the following components: (i) Service cost include current year service cost, past-service cost and settlement gain or loss. Current year service cost means the increase of the value of defined benefit plans resulted from the current year service offered by employee. Past-service cost means the increase or decrease of the value of defined benefit plans resulted from the revision of the defined benefit plans related to the prior year service offered by employee. (ii) Interest costs of defined benefit plans payable. (iii) Changes related to the revaluation of defined benefit plans liabilities.

Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Group charges (i) and (ii) mentioned above into profits or losses of the current year, and recognize (iii) mentioned above as other comprehensive income without charging into profits or losses in later accounting periods.

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

(3) *Termination benefits*

Applicable Not Applicable

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)

21. Provisions

Applicable Not Applicable

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.

22. Perpetual bonds or other financial instruments

Applicable Not Applicable

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue

Applicable Not Applicable

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(1) *Determining the transaction price*

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

(a) *Variable consideration*

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

(b) *A significant financing component*

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

(c) *Consideration payable to a customer*

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

(d) *Non-cash consideration*

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

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

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

(a) Performance obligation satisfied during a period of time

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

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

(b) Performance obligation satisfied at a point in time

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(5) Accounting treatment of specific transaction

(a) Sales attached with quality warranty terms

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

(b) A principal or an agent

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

(6) Contract costs

Applicable Not Applicable

(a) Costs of obtaining a contract

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

(b) Costs to fulfil a contract

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue (Continued)

(6) Contract costs (Continued)

(c) Amortization of the related assets of contract costs

An asset associated with contract costs shall be amortized on the same basis as the revenue recognition of goods or services associated with the asset, and the amortization is recognized in the current period.

(d) Impairment of the related assets of contract costs

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

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

(7) Contract asset and contract liability

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. Please refer to Note V10(2) for accounting policies on impairment of contract asset. The Group's right of unconditional (i.e. solely depending on the passage of time) collection of consideration from the customer shall be separately set out as receivables.

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

24. Government grants

Applicable Not Applicable

Government grants are transferred of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to it and the grant will be received.

If a government grant takes the form of a monetary asset, it is measured at the amount received or receivable. If a government grant takes the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period. Government grants received by the Group related to routine activities are recognized in other income or as reductions in the related costs and expenses according to the economic nature of business; whereas government grants received by the Group other than those related to routine activities are recognized in non-operating income.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government grants (Continued)

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

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

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

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

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

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

(3) *Interest subsidy received under policy loans*

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

(4) *Accounting treatment for repayments of government grants*

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Deferred tax assets/ deferred tax liabilities

Applicable Not Applicable

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

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

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

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

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset from the lessor to the lessee for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(1) *The Group as the lessee*

(a) *Separation of the lease*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component for contracts containing leases for buildings and structures, machinery and equipment, and transportation vehicles.

(b) *Right-of-use assets*

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset provided by the lessor is available for use). Right-of-use assets are measured at cost which includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

If a re-measurement of the lease liability occurs after the commencement date of the lease, the book value of the right-of-use assets shall be adjusted accordingly.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

If the recoverable amount of the right-of-use asset is estimated to be less than its carrying amount, the carrying amount of the asset will be reduced to its recoverable amount (Note V18).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(1) *The Group as the lessee (Continued)*

(c) *Refundable rental deposit*

The refundable rental deposits paid by the Group are measured at fair value in accordance with the Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments. The differences between the fair value and the nominal value at the time of initial recognition are considered as an additional lease payments and included in the cost of the right-of-use assets.

(d) *Lease liabilities*

Except for short-term leases and leases of low value assets, at the commencement date of the lease, the Group recognizes and measures the lease liabilities at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to the payments made by the Group to the lessor for the lessee's right to use the leased asset over the lease term and include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate;
- amounts expected to be paid under residual value guarantees.

Variable lease payments that depend on an index or a rate are initially measured using the index or rate at the commencement date. Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss or the cost of underlying assets in the period in which they occur.

Interest expenses on the lease liabilities in each period during the lease term are recognized by the Group by using the fixed periodic rate of interest.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(1) The Group as the lessee (Continued)

(d) Lease liabilities (Continued)

After the commencement date of the lease, the Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liabilities is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value or a change in an index or a rate used to determine those payments, in which cases the related lease liabilities is remeasured by discounting the revised lease payments using the initial discount rate.

Lease liabilities are presented as “current liabilities” and “non-current liabilities” based on their liquidity at the balance sheet. The closing balance of non-current lease liabilities due within 1 year from the balance sheet date is reflected under the line item of “non-current liabilities due within 1 year”.

(e) Short-term leases and leases of low-value assets

For short-term leases and leases of low-value items to which the recognition exemption is applied by the Group, right-of-use assets and lease liabilities are not recognized. A short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

(f) Lease modifications

The Group accounts for a lease modification as a separate lease if there is a lease modification and both of the following apply:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(2) *The Group as the lessor*

(a) *Separation of the lease*

Where a contract contains both lease and non-lease components, the Group allocates the consideration of the contract in accordance with the provisions of Revenue Standards on allocation of transaction price. The basis of the allocation is the respective stand-alone selling price of lease component and non-lease component.

(b) *Classification of the lease*

The Group classifies the lease into financing lease and operating lease on the start date of the lease. Financial lease refers to a lease that essentially transfers almost all the risks and rewards related to the ownership of leased assets. Its ownership may or may not be transferred eventually. Operational lease refers to the leases other than financial leases.

The Group does not reassess the classification of leases after the start of the lease unless there is a modification in the lease. The Group shall not reassess the classification of leases if the estimated useful life and expected residual value of leased assets change or the lessee defaults.

(c) *Rental deposit to be refunded*

The lease deposit received by the Group that shall be refunded, are measured at fair value at the time of initial recognition in accordance with Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments. The difference between the fair value and the nominal value at the time of initial recognition shall be considered as the additional lease payments from the lessee.

(d) *Operating leases recorded by the Group as lessor*

During the periods within the lease term, the Group recognizes the lease receipts from operating lease as rental income. The initial direct costs incurred by the Group to obtain the operating lease are capitalized when they are incurred, and are allocated over the lease term on the same basis of recognition of rental income, and are included in profit or loss by stages.

The variable lease receipts obtained by the Group from operating lease but not included in the lease receivables are included in profit or loss when they incur.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Lease (Continued)

(3) Sales and leaseback transactions (The Group acts as a seller-lessee)

The Group assesses whether the transfer of the asset in the sales and leaseback transaction constitutes a sale in accordance with the Revenue Standards. If the transfer of the asset is not a sale, the Group continues to recognize the transferred assets and should recognize a financial liability equal to the transfer proceeds. Such financial liability is accounted for applying Accounting Standards for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments. If the transfer of an asset constitutes a sale, the Group shall measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor.

27. Other significant accounting policies and accounting estimates

Applicable Not Applicable

(1) Distribution of profit

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

(2) Production safety expenses

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

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

(3) Segment information

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(4) *Discontinued operation*

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

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

(5) *Significant accounting judgments and estimates*

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

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

(a) *Important judgments in applying accounting policies*

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

(i) Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Company has the right to defer interest payment and the option for redemption of perpetual bond. The Company has no obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the issuer, so the perpetual bond is classified as equity instrument, meeting the qualifying conditions in Note V22 to be recorded as equity instrument. Details are set out in Note VII45.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(5) Significant accounting judgments and estimates (Continued)

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

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

(i) Progress of performance of engineering construction contracts

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

(ii) Credit loss provision

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

As at 30 June 2019, the net book value of the Group's accounts receivable is RMB66,567,677,000 (As at 31 December 2018: RMB66,958,297,000), from which the provision for credit losses of RMB12,991,374,000 has been deducted (As at 31 December 2018: RMB13,410,428,000), refer to Note VII 4 for details. The net book value of the Group's contract assets amounted to RMB74,694,725,000 (As at 31 December 2018: RMB66,719,549,000), from which the provision for impairment losses of RMB2,865,092,000 (As at 31 December 2018: RMB2,871,540,000) has been deducted, please refer to Note VII 9(1) for details.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(5) Significant accounting judgments and estimates (Continued)

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

(iii) Useful lives and residual values of fixed assets

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

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

(iv) Impairment loss on assets

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

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 14.12% to 17.33% for the reporting period (31 December 2018: 14.12% to 17.33%).

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

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

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(5) Significant accounting judgments and estimates (Continued)

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

(v) Tax

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

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

(vi) Retirement benefits

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

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Applicable Not Applicable

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
Effect of New Standard for Leases on the Group		
<p>The Group adopted the Accounting Standards for Business Enterprises No.21 – Leases revised by the MoF in 2018 (hereinafter referred to as the “New Standard for Leases”) since 1 January 2019 (“date of initial application”). The Group’s accounting policies of leases (revised) are set out in Note V26.</p> <p>For a contract that has existed as at the date of initial application, the Group does not reassess whether it is, or contains a lease. For a contract entered into or modified at or after the date of initial application, the Group assesses whether such contract is or contains a lease under the definition of the New Standard for Leases.</p> <p>The Group acts as a lessor</p> <p>The Group does not need any transitional adjustment to its lease as a lessor, but does need to conduct accounting treatment in accordance with the New Standard for Leases from the date of initial application. The New Standard for Leases have no significant impact on the Group’s leases as a lessor.</p> <p>The Group acts as a lessee</p> <p>The Group adjusted amount of relevant financial statement items as at the date of initial application on the basis of the accumulative effects arising from initial application of the New Standard for Leases, without adjusting the information for comparative period.</p> <p>For finance leases existed before the date of initial application, the right-of-use assets and lease liabilities are respectively measured by the Group based on the previous carrying amount of assets held under finance leases and finance lease payable at the date of initial application. For operating leases existed before the date of initial application, the lease liabilities are measured at the present value of the remaining lease payment, discounted using the lessee’s incremental borrowing rate (4.35%-5.00%) at the date of initial application. The right-of-use asset is measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments as necessary.</p>		
	N/A	None

Financial Statements and Review Report

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
<p>For operating leases existed before the date of initial application, the Group can choose to use the following practical expedients on a lease-by-lease basis:</p> <ul style="list-style-type: none">operating leases with lease term ends within 12 months of the date of initial application are accounted for as short-term leasesinitial direct costs are excluded from the measurement of the right-of-use asset;for lease modifications before the date of initial application, the accounting treatment is made by the Group on the basis of the ultimate arrangements of such lease modifications.	N/A	None
<p>The above practical expedients of operating leases before the date of the initial application have no significant effects on the Group's retained earnings at the date of initial application.</p> <p>At the date of initial application, the Group has made the following adjustments upon application of the New Standard for Leases:</p> <p>The Group recognized lease liabilities of RMB279,443,000 and right-of-use assets of RMB333,065,000 as at 1 January 2019.</p>		

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
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Based on the above, the effects of the application of the New Standard for Leases on the relevant balance sheet items as at 1 January 2019 are as follows:

All amounts in RMB'000

Items	31 December 2018	Adjustments	1 January 2019		
Current assets:					
Prepayments	20,285,773	(11,156)	20,274,617	N/A	None
Non-current assets:					
Fixed assets	27,370,040	(131,623)	27,238,417		
Right-of-use assets	--	333,065	333,065		
Long-term prepayments	269,670	(26,737)	242,933		
Current liabilities:					
Non-current liabilities					
due within 1 year	14,772,502	45,179	14,817,681		
Non-current liabilities:					
Lease liabilities	--	202,207	202,207		
Long-term payables	1,180,520	(83,837)	1,096,683		

Reconciliation of lease liabilities recognized at 1 January 2019 to the significant operating lease commitments in the financial statements for the year 2018:

All amounts in RMB'000

1. Operating lease commitments at 31 December 2018:	203,034		
Lease liabilities measured by using incremental borrowing rate at the date of initial application	173,022	N/A	None
Less: recognition exemption – short-term leases	9,473		
Lease liabilities recognized under New Standard for Leases that are related to previous operating leases	163,549		
Add: finance lease payable at 31 December 2018	115,894		
2. Lease liabilities at 1 January 2019	279,443		
Including: lease liabilities due within 1 year	77,236		
lease liabilities due over 1 year	202,207		

Financial Statements and Review Report

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
Effects of new standard for exchange of non-monetary assets on the Group		
<p>On 9 May 2019, the revised CASBE No.7 – <i>Exchanges of Non-monetary Assets(Cai Kuai(2019) No.8</i>, hereinafter referred to as the New Standard for Exchanges of Non-monetary Assets) was released by the Ministry of Finance with the effective date of 10 June 2019. For transfer of non-monetary assets incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Exchanges of Non-monetary Assets. The New Standard for Exchanges of Non-monetary Assets clarified: 1) the definition of exchange of non-monetary assets(revised); 2) the applicable scope of the standard; 3) the time point to recognize the asset received and to derecognize the asset surrendered and the accounting treatment of the inconsistency between the time point to recognize the asset received and to derecognize the asset surrendered; 4) the detailed accounting treatment of exchange of non-monetary assets; and 5) the new requirements of disclosures. The adoption of the New Standard for Exchanges of Non-monetary Assets has no significant effects on the Group's financial statements for the current period.</p>	N/A	None
Effects of new Standard for debt restructuring on the Group		
<p>On 16 May 2019, the revised CASBE No.12 <i>Debt Restructuring(Cai Kuai(2019) No.9</i>, hereinafter referred to as the "New Standard for Debt Restructuring") with the effective date of 17 June 2019. For debt restructuring incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Debt Restructuring. The New Standard for Debt Restructuring clarified: 1) the definition of debt restructuring (revised); 2) the applicable scope of the standard; 3) the accounting treatment of debt restructuring; and 4) the simplified requirements of disclosures. The adoption of the New Standard for Debt Restructuring has no significant effects on the Group's financial statements for the current period.</p>		

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Changes in significant accounting policies (Continued)

Content and Reason of Changes in Accounting Policies	Approval Procedures	Remarks
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Effects of the revised format of financial statements on the Group

Since the preparation of the 2019 interim financial statements, the Group adopted the Notice of the Revised Format of *2019 Financial Statements for General Business Enterprise (Cai Kuai (2019) No. 6*, hereinafter referred to as the "Cai Kuai No.6 Document") released by the MoF on 30 April 2019. Cai Kuai No.6 Document revised the presenting items in the balance sheet, income statement, cash flow statement and statement of changes in owners' equity, divided the line item of "bills and accounts receivable" into "bills receivable" and "accounts receivable", divided the line item of "bills and accounts payable" into "bills payable" and "accounts payable", added line items of "receivables at FVTOCI", specified or revised the presenting contents of "other receivables", "non-current assets due within 1 year", "other payables", "deferred income", "other equity instruments", "research and development expenses", "interest income" under "financial expenses", "other income", "non-operating income", "non-operating expenses", "capital contributions from holders of other equity instruments", stipulated the reporting requirements of provision of loss for items such as financial guarantee contracts, added line item of "income from derecognition of financial assets at amortised cost" under the line item of "investment income", adjusted the presenting location of some accounts in the income statement and clarified the presenting item of government grants in the cash flow statement. The Group has restated the above changes in presenting accounts of comparative period.

N/A

None

(2) Changes in significant accounting estimates

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

Financial Statements and Review Report

VI. TAXATION

1. Major categories of taxes and respective tax rates

Applicable Not Applicable

Category of tax	Basis of tax computation	Tax rate
Value-added tax ("VAT")	VAT payable(VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current year)	3%, 5%, 6%, 9%, 10%, 13% and 16% (Note)
City maintenance and construction tax ("CCT")	Payment for VAT and consumption tax	1%, 5% and 7%
Education surcharges	Payment for VAT and consumption tax	3%
Enterprise income tax ("EIT")	Taxable income	25%
Land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

Note: According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs 2019 No.39), business originally applicable to the VAT rate of 16% and 10% will be applicable to the rate of 13% and 9 % respectively since 1 May 2019.

(1) The domestic entities subject to different enterprise income tax rates are disclosed in Note VI 2.

(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%
ENFI Zambia Ltd.	35%
China 19 MCC Group Namibia Co., Ltd.	35%
MCC International Venezuelan Ltd.	34%
China ENFI (Namibia) Ltd.	33%
China Metallurgical Construction Zimbabwe Co., Ltd.	33%
China First Metallurgical India (Private) Ltd.	32.45%
CISDI India Ltd.	31%
China ENFI Congo (DRC) Co. Ltd.	30%
MCC Australia Holding Pty Ltd.	30%
MCC Australian Gold Mines Ltd.	30%
MCC Mining (Western Australia) Pty Ltd.	30%
MCC Australia(Brisbane) Pty Ltd.	30%
MCC Shijiu Papua New Guinea Co., Ltd.	30%
China ENFI (Chile) SAS	28%
China First Metallurgical Construction Malaysia Co., Ltd.	24%
MCC Malaysia Overseas Ltd.	24%
MCC Real Estate Malaysia Ltd.	24%
MCC Construction Engineering (Malaysia) Co., Ltd.	24%
Shanghai Baoye (Malaysia) Co., Ltd.	24%
CCEPC Malaysia BHD	24%

VI. TAXATION (CONTINUED)

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

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

Subject of tax payment	Enterprise income tax rate
MCC Tian Gong (Malaysia) Engineering Technology Co., Ltd.	24%
MCC East Malaysia Sdn Bhd.	24%
CISDI Engineering(America) Co., Ltd.	21%
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 (Thailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
MCC International (Kuampuchea) Ltd.	20%
Shanghai Baoye (Kampuchea) Co., Ltd.	20%
China Nineteen Metallurgical Group Vietnam Co., Ltd.	20%
China Jingye Engineering Corporation Ltd. (Singapore Branch)	17%
MCC Real Estate Singapore Ltd.	17%
MCC Potong Pasir Ltd.	17%
MCC Real Estate Tampines Co., Ltd.	17%
MCC Hong Kong Overseas Ltd.	16.5%
Nan Hua International Engineering Ltd.	16.5%
Xiong Hui Investment Ltd.	16.5%
MCC Real Estate Hong Kong Co., Ltd.	16.5%
Chinese Metallurgical Engineering Technology (Hong Kong) Co., Ltd.	16.5%
MCC Holding (Hong Kong) Corporation Limited	16.5%
MCC-CISDI Engenharia do Brisal Ltd.	15%
MCC Tian Gong (Mongolia) Ltd.	10%
MCC Vietnam Operation Co., Ltd.	10%
MCC Vietnam Engineering Technology Co., Ltd.	10%
China MCC International Economic and Trade (Hong Kong) Co., Ltd.	8.25%
MCC 20 Indonesia Construction Co., Ltd.	3%
MCC Huaye Duda Mining Co.,Ltd.	0.00%
MCC Ramu NiCo Ltd.	0.00%
Ramu NiCo Management (MCC) Ltd.	0.00%
MCC Tongsin Resources Ltd.	0.00%
MCC JCL Anak Mining Co., Ltd.	0.00%
China Metallurgical Group Duda Mining Development Co., Ltd.	0.00%
China Metallurgical Group Resources Development Co., Ltd.	0.00%
China Metallurgical New Energy (Pakistan) Ltd.	0.00%

VI. TAXATION (CONTINUED)

2. Tax incentive

Applicable Not Applicable

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

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

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- (c) Chongqing CISDI Engineering Management Consultants Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Engineering Co., Ltd., CISDI Equipment Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd. and ENFI New Energy (Zhongwei) Co., Ltd. have been levied at a preferential tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Construction Drawing Examination and Consulting Co., Ltd., and China Metallurgical Construction Engineering Group Chongqing Steel Structure Co., Ltd. have been levied at a preferential tax rate of 15% from 2015 to 2020.
- (e) CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2020.
- (f) MCC Chongqing Real Estate Development Co., Ltd., China Metallurgical Construction Engineering (Ningxia) Co., Ltd., CISDI Chongqing Environmental Consulting Co., Ltd. and MCC (Guizhou) Construction Investment Development Co., Ltd. are levied at preferential tax rate of 15% from 2017 to 2020.
- (g) CISDI Technology Research Center Co., Ltd., CISDI Architectural & Municipal Design Co., Ltd., Tibet China Metallurgical Construction Co., Ltd. are levied at preferential tax rate of 15% from 2018 to 2020.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

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

- (a) Beijing Sida Jian Mao Science and Technology Development Co., Ltd., Northern Engineering & Technology Corporation, MCC (Dalian), ACRE Coking & Refractory Engineering Consulting (Dalian) Corporation, MCC Energy Conservation Environmental Protection Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Metallurgical Construction Research Institute (Shenzhen) Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 20 Group Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., and Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2016 to 2019.
- (b) Shanghai Baoye Engineering Technology Corp., Ltd., Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 5 Group Co., Ltd., China First Metallurgical Group Co., Ltd., Beijing ENFI Environmental Protection Co., Ltd., Beijing ENFI Environmental Protection Technology Co., Ltd., MCC Huatian Engineering & Technology(Nanjing) Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Communication Construction Group Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI (Wuhan) Thermotechnical Co., Ltd., WISDRI Engineering & Research Incorporation Limited, WISDRI City Environment Protection Engineering Co., Ltd., WISDRI (Wuhan) Informatology Engineering Co., Ltd., Shen Kan Engineering & Technology Corporation, MCC, Central Research Institute of Building and Construction Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC Huatian Energy Conservation Environmental Protection Research Institute Co., Ltd., Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Seric Graphic Mdt Info Tech Ltd., CERI Long Product Co., Ltd., CERI ZeYu Energy Environmental Protection Engineering Technology Co., Ltd., CERI Eco Technology Co., Ltd., CERI Technology Co., Ltd., MCC Capital Engineering & Research Incorporation Limited, CERI Manufacturing Executive & Managing System Co., Ltd., CERI Hua Yu Architectural Design & Research Institute Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., China ENFI Engineering Corporation, China silicon Co., Ltd., Panzhihua Tianyu Engineering Detection Co., Ltd., Beijing Chongjian Project Co., Ltd. and Beijing Tianrun Construction Co., Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2019.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (c) Hunan Hetian Engineering Project Management Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., Shanghai Baoye Group Co., Ltd., Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC, MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technology Services Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Beijing Yuanda International Project Management Consulting Co., Ltd., Beijing New Vision Building Construction Technology Co., Ltd., Beijing Metallurgical Equipment Research Design Institute Co., Ltd., China MCC 19 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., MCC Huatian Nanjing Electrics Engineering & Technology, MCC (Beijing) Transportation Science and Technology Development Co., Ltd., Beijing Jinwei Soldering Material Co., Ltd., Ma'anshan MCC 17 Engineering Science & Technology Co., Ltd., CERI Colin Environmental Protection Technology Co., Ltd., MCC Shenkan (Qinhuangdao) Engineering Design Research Institute Limited, Beijing Zhongshe Water Treatment Co., Ltd., Hebei Guopeng building materials Co., Ltd., Northwest Engineering and Technology Corporation, MCC (formerly called: MCC Huatian Baotou Design Research Institute Limited), MCC Chengdu Reconnaissance and Research Institute Limited, CISDI Electrics Technology Co., Ltd., 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., Tianjin Xinbin Engineering Technology Detection Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd., Shanghai Baoye Building Decoration Co., Ltd., China 22MCC Group Xinjiang Equipment Manufacturing Co., Ltd., China 22MCC Group Co., Ltd., China 22MCC Group Equipment Manufacturing Co., Ltd. and CISDI Engineering Co., Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2020.

(3) *The other major preferential tax benefits*

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

Companies including Liuan Water Corporation MCC, Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., Wuhan Urban Environmental Water Co., Ltd. and Zhanjiang MCC Environmental Operation Management Co., Ltd. are qualified for a preferential tax policy that from the tax year when the enterprise has obtained the first piece of revenue to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted.

Among them, the preferential policy of Liuan Water Corporation MCC has come into effect in 2014 and the applicable tax rate for the current period was 12.5%. The preferential policy of Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd. and Zhanjiang MCC Environmental Operation Management Co., Ltd. have come into effect in 2015 and the applicable tax rate for the current period was 12.5%. Fuzhou City Changle District MCC Water Co., Ltd. and Wuhan Urban Environmental Water Co., Ltd. have come into effect in 2016 and the applicable tax rate for the current period was 12.5%.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (b) According to the Item 3 of Article 27 of the *Law of the People's Republic of China on Enterprise Income Tax* as well as Article 87 of the *Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax*, following examination and approval by the tax authorities, Ejina Ken ENFI New Energy Limited has enjoyed the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax 50%-reduction" since 2017. Therefore, the applicable tax rate for this period was 0%.
- (c) According to the MoF and the State Administration of Taxation on issues concerning VAT, *Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry* ("Caishui [2010] No.110"), qualified energy conservation service companies implementing energy management contract projects that meet the relevant provisions of the Enterprise Income Tax Law shall be exempted from enterprise income tax from the first tax year when it obtains the first piece of revenue from their production and business operation to the third year and followed by 50% reduction of income tax rate of 25% from the fourth year to the sixth year.

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

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

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

- (e) According to Cai Shui [2009] No.166 "*Notice of Ministry of Finance, State Administration of Taxation and National Development and Reform Commission on Publication of Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises (Trial)*", where the enterprises obtain revenue from projects satisfying "*Catalogue for Enterprise Income Tax Preferences for Environmental Protection and Energy and Water Conservation Enterprises*", they are entitled to the enterprise income tax preference of "3-year tax exemption followed by 3-year tax 50%-reduction".

Wuxi Xidong Environmental Energy Co., Ltd. is applicable to the above provisions and subject to tax rate of 0.00% for the current period.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (f) According to the article II of the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementation of Inclusive Tax Exemption and Reduction Policies for Small Low-Profit Enterprises* ("Cai Shui [2019] No.13"): for small low-profit enterprises, the portion of taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB1 million but not exceeding RMB 3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

In 2019, Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Jingqiu Energy saving Technology Development Co., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Chongqing MCC Property Management Co., Ltd., MCC Refractory Materials Testing Center, Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Dalian China Metallurgical jiaonai dragon Instrument Co., Ltd., Chongqing Tuoye Construction Engineering Quality Inspection Co., Ltd., North Chixiao Modular House (Langfang) Co., Ltd., Shanghai Baosteel MCC 5 Dedusting Equipment Co.,Ltd., MCC 5 Group Shanghai Yuanzhu New Building Materials Co.,Ltd., China MCC International Economic and Trade (Beijing) Co., Ltd., MCC Real Estate Service Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited, CERI Seric Graphic Mdt Info Tech Ltd., Shanghai ZhiDa Electronic Co., Ltd., Shanghai Baoding Environmental Engineering Technology Service Co., Ltd., Shanghai Baoshan District Jiangyuan Training Center, Qingdao MCC Mingqin Real Estate Co., Ltd., Baotou Beilei Supervision Consulting Co., Ltd., Shanghai Yuanzheng Science and Technology Co., Ltd., Hunan Changyuan Property Management Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Inspection and Certification Co., Ltd. MCC, ACRE Coking & Refractory Engineering Consulting (Shanghai) Corporation, Anshan Huatai CDQ Engineering and Technology Co.,Ltd., WISDRI (Hunan) Engineering and Technology Co., Ltd., Xi'an China Metallurgical new material Co., Ltd., Inner Mongolia Construction Investment Co., Ltd., MCC Rail Transit Co., Ltd., MCC Zhongyuan Construction Investment Co., Ltd. and Beijing ENFI Property Management Co., Ltd. satisfy the criteria of small and low-profit enterprise and are entitle to the tax preference, i.e. the portion of taxable income not exceeding RMB1 million is subject to 25% reduction and applies enterprise income tax rate of 20%; the portion exceeding RMB1 million but not exceeding RMB3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

- (g) 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 2019.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

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

MCC Baosteel Technology Services Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group Property Management Service Co., Ltd., MCC TianGong Tianjin Co., Ltd. and China MCC 20 Group Co., Ltd. could deduct all the salary payment for the disabled employees and again claim additional 100% deduction of the aforesaid salary payment in 2019.

- (i) According to the regulations of the *Notice of the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology on Improving the Policies for the Weighted Pre-tax Deduction of Research and Development Expenses* ("CaiShui [2018] No.99"), for the R&D expenses that are actually incurred by an enterprise and have been included in the current loss and profit while intangible assets are not created, another 75% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in addition to the deduction as prescribed to the extent of the amount actually incurred for the period from 1 January 2018 to 31 December 2020. The following enterprises of the Group shall enjoy this preferential treatment upon the approval of the local tax bureau.

BERIS Engineering and Research Co., Ltd., MCC Baosteel Technology Services Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., Panzihua Tianyu Engineering Detection Co., Ltd., MCC TianGong Tianjin Co., Ltd., MCC TianGong Group Corporation Limited, China MCC 5 Group Co., Ltd., MCC 5 Group (Shanghai) Co., Ltd., China First Metallurgical Group Co., Ltd., Wuhan Yi Ye Steel Structure Co., Ltd., MCC Wuhan Research Institute of Metallurgical Construction Co., Ltd., Huatian Engineering & Technology Corporation, MCC, MCC Huatian Engineering & Technology(Nanjing) Co., Ltd., WISDRI (Wuhan) Automation Co., Ltd., WISDRI(Wuhan) Informatology Engineering Co., Ltd., WISDRI Engineering&Research Incorporation Limited, WISDRI (Wuhan) Wei Shi Thermotechnical Co., Ltd., WISDRI City Environment Protection Engineering Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., CISDI Shanghai Engineering Technology Co., Ltd., CISDI Engineering Co., Ltd., CISDI Industrial Furnace Co., Ltd., CISDI Group Chongqing Information and Technology Co., Ltd., CISDI Electrics Technology Co., Ltd., MCC Xi'an Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., MCC Chengdu Reconnaissance and Research Institute Limited, Tianjin Xinbin Engineering Technology Detection Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Shanghai Baoye Group Co., Ltd., Northwest Engineering and Technology Corporation, MCC (formerly called: MCC Huatian Baotou Design Research Institute Limited), Shanghai Baoye Metallurgical Engineering Co. Ltd., Shanghai Baoye Building Decoration Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd. and WISDRI Urban Design and Construction Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2019.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (j) According to "Caishui[2015] No.78", The MoF and the State Administration of Taxation on issuing *the Notice of the Comprehensive Utilization of Resources "Products and Services" of Value Added Tax Preferential Directory*, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou 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, Ma'anshan Water Corporation MCC, Wuhan Urban Environmental Water Co., Ltd., Zhejiang Chunnan Sewage Treatment Co., Ltd., Fuzhou City Changle District MCC Water Co., Ltd., MCC Xinglong Water Co., Ltd., China City Environment Protection Engineering Limited Company, Wenxian Zhongtong Water Supply Co., Ltd., Qinhuangdao Funing District MCC Water Co., Ltd., Wuxi Xidong Environmental Protection Energy Co., Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Dingyuan Water Corporation MCC, MCC Xuancheng 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.

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

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

- (l) According to the Circular of the MoF, the State Administration of Taxation and the General Administration of Customs on Issues *Concerning Tax Policies for Encouraging the Development of Software and Integrated Circuit Industries* ("Caishui [2000] No.25"), MCC ACRE Automation Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products since 2010, with the refund rate of 10%.

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

CISDI Group Chongqing Information and Technology Co., Ltd. enjoyed the policy of "levy and refund" of value-added tax of selling software products from 2015 to 2019, with the refund rate of 10%. 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 10%.

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (n) According to “Caishui [2013] No.37” issued by the State Administration of Taxation, the technology development business income of Beijing ENFI Environmental Protection Technology Co., Ltd. was exempted from value-added tax in 2019. 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 2019. The income derived from the operations of technology transfers and the technology development business of Huatian Engineering & Technology Corporation, MCC, and MCC Xi'an Electric Furnace Institute Co., Ltd. were exempted from value-added tax in 2019.
- (o) According to the Circular on Preferential Policies on Tax Rate for Public Rental Housing (“Caishui [2015] No.139”) issued by the MoF and the State Administration of Taxation, Hebei MCC Mingrun Real Estate Development Co., Ltd. was exempted from land use tax on the enterprise's public rental housing in 2019.
- (p) According to the “Caishui [2010] No.42” issued by the MoF and the State Administration of Taxation, Wuhu MCC Real Estate Group Co., Ltd. enjoyed the exemption from land use tax (the annual amounts of land-use tax per square meter is RMB12-15 before), and the property transfer book was exempted from stamp duty in 2019. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax in 2019.
- (q) According to the “Caishui [2013] No.101” *Tax Policy on Reconstruction of Shanty Towns* issued by the MoF and the State Administration of Taxation, China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from local education surcharge and stamp duty in 2019.
- (r) According to the “Caishui [2008] No.48” issued by the MoF and the State Administration of Taxation, if the enterprise purchases and actually uses the specially-purposed equipment for environment protection, energy and water saving and safety production included in the list since 1 January 2018, 10% of the invested amounts for the specially-purposed equipment can be used to deduct the taxable amount; if it is not enough to deduct the enterprise's taxable amount, it can be carried forward to the subsequent years, but the period shall not exceed 5 taxpaying years.

Xiangyang ENFI Environment Protection and Energy Co., Ltd. enjoyed the above preferential policies from 2014 to 2019.

- (s) According to the Tax Policies on Education (“Cai Shui [2004] No.39”) issued by the MoF and the State Administration of Taxation, MCC Capital Real Estate (Yan tai) Co., Ltd. enjoyed preferential policies of exemption of deed tax, cultivated land occupancy tax, land use tax and property tax for the land used by the school in 2019.
- (t) According to the article VII of *Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform* [2019] No.39: from 1 April 2019 to 31 December 2021, the tax payers of production and living service industry enjoys additional 10% deduction on the basis of the deductible input VAT for the current period. Beijing ENFI Property Management Co., Ltd., Industrial Construction Magazine Agency., CISDI Group Chongqing Information and Technology Co., Ltd., and Qingdao Oriental Hotel Management Co., Ltd. MCC applicable to this policy since 1 April 2019.

Financial Statements and Review Report

VI. TAXATION (CONTINUED)

2. Tax incentive (Continued)

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

- (u) According to the Notice No.83 TT-BTC Announcement issued by Ministry of Finance of Vietnam in 2016, the qualified science-and-technology enterprise enjoys enterprise income tax exemption for 4 years or 50% reduction for 9 years. MCC Vietnam Operation Co., Ltd. enjoys enterprise income tax exemption in 2019.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Cash	21,163	18,910
Bank deposits	24,634,420	31,202,801
Other cash and bank balances	13,729,997	13,255,591
Total	38,385,580	44,477,302
Including: Total amount of deposits abroad	2,441,340	2,969,905

As at 30 June 2019, restricted cash and bank balances were RMB11,968,048,000 (as at 31 December 2018: RMB11,326,300,000) (in Note VII 69), which mainly including deposits for issuing acceptance bills and statutory deposit reserve at the central bank, etc.

2. Financial assets held for trading

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Financial assets at FVTPL	1,039	1,124,150
Including: Currency funds	—	1,123,211
Equity instruments held for sale	1,039	939
Total	1,039	1,124,150

Applicable Not Applicable

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

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1) Bills receivable analyzed by category

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provisions for credit losses	Carrying amount	Book value	Provisions for credit losses	Carrying amount
Bank acceptance bills	7,647,740	–	7,647,740	9,961,284	–	9,961,284
Commercial acceptance bills	7,605,320	16,221	7,589,099	8,420,268	17,920	8,402,348
Total	15,253,060	16,221	15,236,839	18,381,552	17,920	18,363,632

(2) Pledged bills receivable at 30 June 2019

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019
Bank acceptance bills	2,656,279
Commercial acceptance bills	95,000
Total	2,751,279

(3) Bills receivable endorsed to other parties or discounted but not yet due at 30 June 2019

Applicable Not Applicable

As at 30 June 2019, bills receivable endorsed to other parties or discounted with recourse but not yet due was RMB3,151,474,000 (as at 31 December 2018: RMB6,915,549,000), among which the amount derecognized was RMB2,632,812,000 (as at 31 December 2018: RMB6,518,906,000). The Group is of the view that the risk of not honoring the bills by the issuers upon maturity is remote if the issuers have good credibility, substantially all the risks and rewards of ownership of the above endorsed bills receivable and discounted bills receivable have been transferred, the Group derecognized these bills receivable from the financial statements. The amount not derecognized was RMB518,662,000 (as at 31 December 2018: RMB396,643,000). The Group is of the view that the Group retains nearly all of the risks and rewards of ownership of the above endorsed and discounted bills receivable, including default risk, the Group didn't derecognize these bills receivable from the financial statements.

(4) As at 30 June 2019, the balance of impairment provision for the Group's bills receivable is RMB16,221,000 (as at 31 December 2018: RMB17,920,000). The provision for such credit losses belong to the first stage, where the credit risk of the relevant assets has not increased significantly since the initial recognition, and the provision for credit losses is confirmed based on the amount of expected credit losses in the next 12 months. The reversed credit losses were RMB1,699,000 in the current period.

Applicable Not Applicable

(5) Bills receivable with title restriction as at 30 June 2019 are set out in Note VII 69.

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

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

All amounts in RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	44,554,580	43,027,773
1 to 2 years	11,236,623	13,172,158
2 to 3 years	6,399,372	6,222,088
3 to 4 years	4,843,802	5,325,406
4 to 5 years	4,231,323	4,525,459
Over 5 years	8,293,351	8,095,841
Total book value	79,559,051	80,368,725
Less: provisions for credit losses	12,991,374	13,410,428
Carrying amount	66,567,677	66,958,297

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

(2) Disclosed by method of determining provision for credit losses

Applicable Not Applicable

All amounts in RMB'000

Category	30 June 2019				31 December 2018					
	Book value Amount	Ratio (%)	Provision for credit losses Amount	Ratio (%)	Carrying amount	Book value Amount	Ratio (%)	Provision for credit losses Amount	Ratio (%)	Carrying amount
Accounts receivable for which provision for credit losses is individually assessed (a)	28,440,216	35.75	6,245,018	21.96	22,195,198	29,873,253	37.17	6,383,621	21.37	23,489,632
Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis (b)	51,118,835	64.25	6,746,356	13.20	44,372,479	50,495,472	62.83	7,026,807	13.92	43,468,665
Total	79,559,051	/	12,991,374	/	66,567,677	80,368,725	/	13,410,428	/	66,958,297

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) Disclosed by method of determining provision for credit losses (Continued)

(a) *Accounts receivable for which provision for credit losses is individually assessed at the end of the period.*

Applicable Not Applicable

All amounts in RMB'000

Accounts receivable (per entity)	30 June 2019			Reasons
	Book value	Provision for credit losses	Proportion of provision (%)	
Party 1	3,420,818	1,330,634	38.90	The Group considered the – reasonable and supported information related to other party (including forward-looking information), then evaluated the anticipated credit losses and made provision for credit losses.
Party 2	1,653,083	–	–	
Party 3	1,274,051	509,620	40.00	
Party 4	578,767	578,767	100.00	
Party 5	535,960	326,802	60.98	
Others	20,977,537	3,499,195	16.68	
Total	28,440,216	6,245,018	/ /	

(b) *Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis at the end of the period*

Applicable Not Applicable

All amounts in RMB'000

Aging	30 June 2019		
	Accounts receivable	Provision for credit losses	Proportion of provision (%)
Within 1 year	33,006,614	671,558	2.03
1 to 2 years	7,991,266	856,622	10.72
2 to 3 years	4,097,329	802,175	19.58
3 to 4 years	1,840,161	844,731	45.91
4 to 5 years	1,270,594	898,012	70.68
Over 5 years	2,912,871	2,673,258	91.77
Total	51,118,835	6,746,356	13.20

Applicable Not Applicable

The Group considers the aging factor and groups accounts receivable accordingly. The Group determines the expected credit loss and provision for credit losses based on the historical experience of credit losses.

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) Provision for credit losses of accounts receivable

All amounts in RMB'000

Item	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2018	7,550,929	5,859,499	13,410,428
Provision for the current period	13,461	7,288	20,749
Reversal for the current period	(52,872)	(22,637)	(75,509)
Other changes	(7,417)	(356,877)	(364,294)
Provision for credit losses at 30 June 2019	7,504,101	5,487,273	12,991,374
Book value at 30 June 2019	69,333,384	10,225,667	79,559,051

(4) The top 5 largest accounts receivable collected by arrears at 30 June 2019

Applicable Not Applicable

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2019	As a percentage of total accounts receivable (%)
Party 1	Third Party	3,420,818	4.30
Party 2	Third Party	1,924,412	2.42
Party 3	Third Party	1,653,083	2.08
Party 4	Third Party	1,282,766	1.61
Party 5	Third Party	1,274,051	1.60
Total	/	9,555,130	12.01

(5) As at 30 June 2019, the Group's assets and liabilities recognized for transfer of accounts receivable and continuing involvement amounted to RMB14,600,000 (31 December 2018: RMB14,600,000) and presented in other non-current assets and other non-current liabilities. For details, see Note VII 24 and Note VII 43.

Applicable Not Applicable

(6) Accounts receivable with title restriction as at 30 June 2019 are set out in Note VII 69.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Receivables at FVTOCI

Applicable Not Applicable

All amounts in RMB'000

Item	30 June 2019	31 December 2018
Bank acceptance bills	5,722,634	2,072,511
Total	5,722,634	2,072,511

Applicable Not Applicable

- (1) During the course of management of liquidity, part of the Group's subsidiaries discount or endorse part of the bank acceptance bills receivable before they are due and derecognize such discounted or endorsed bank acceptance bills when substantially all the risks and rewards are transferred to the counterparty. When managing the bank acceptance bills receivable, part of the Group's subsidiaries adopt the business model of which the objective is to both collecting contractual cash flows and selling the financial assets. Therefore, such bank acceptance bills receivable are subsequently measured at fair value through OCI. For method of determining the fair value, refer to Note XI3.

For the current period, the changes in fair value of such bank acceptance bills resulted in decrease of RMB48,242,000 in other comprehensive income (Note VII66).

- (2) The Group recognizes impairment provision for receivables at FVTOCI on the basis of the expected credit loss. The closing balance of receivables at FVTOCI are attributable to phase I, i.e. the credit risk of relevant assets hasn't increased significantly since initial recognition and recognizes the provision for credit losses at an amount equal to future 12-month expected credit loss. For the current period, the Group didn't make provision for credit impairment loss of the receivables at FVTOCI.

Applicable Not Applicable

- (3) As at 30 June 2019, the Group has receivable bank acceptance bills that has been discounted or endorsed with recourse right but undue amounting to RMB8,532,390,000 (Amounting to RMB5,565,592,000 as at 31 December 2018). As the acceptor is of good reputation, there is minor risk that the acceptor can't honor the receivables at FVTOCI at the maturity date. The Group believes that the risks and rewards of ownership of such discounted or endorsed receivables at FVTOCI have been transferred and derecognizes such receivables at FVTOCI.

- (4) Receivables at FVTOCI with title restriction as at 30 June 2019 are set out in Note VII69.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments

(1) Aging analysis of prepayments

Applicable Not Applicable

All amounts in RMB'000

Aging	30 June 2019		31 December 2018	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	17,706,982	76.37	14,971,889	73.80
1 to 2 years	1,831,109	7.90	1,355,775	6.68
2 to 3 years	1,017,752	4.39	1,317,531	6.50
Over 3 years	2,629,553	11.34	2,640,578	13.02
Total	23,185,396	100.00	20,285,773	100.00

As at 30 June 2019, prepayments aged over one year were RMB5,478,414,000 (As at 31 December 2018: RMB5,313,884,000), mainly including prepaid land lease payments and prepaid construction costs to sub-contractors.

(2) The five largest prepayments at 30 June 2019

Applicable Not Applicable

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2019	As a percentage of total prepayments (%)
Party 1	Third Party	690,040	2.98
Party 2	Third Party	659,491	2.84
Party 3	Third Party	579,993	2.50
Party 4	Third Party	380,684	1.64
Party 5	Third Party	361,292	1.56
Total	/	2,671,500	11.52

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables

(1) Other receivables analyzed by category

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Interests receivable	4,184	5,579
Dividends receivable	134,366	150,105
Other receivables	62,075,143	56,229,558
Total	62,213,693	56,385,242

(2) Interests receivable

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Interests on term deposits	4,184	5,579
Total	4,184	5,579

(3) Dividends receivable

(a) Presentation of dividends receivable

Applicable Not Applicable

All amounts in RMB'000

The name of investee	30 June 2019	31 December 2018
Hebei Steel Luan County Sijiaying Iron Ore Co., Ltd.	88,039	104,392
Tianjin Tuanbo Urban Development Co., Ltd.	18,000	18,000
Tianjin MCC Heyuan Real Estate Co., Ltd.	17,097	17,097
Shanghai Zhihu Real Estate Co., Ltd.	8,392	8,392
Wuhan Zhonghe Engineering Technique Co., Ltd.	2,224	2,224
Wuhan Iron & Steel Group Finance Co., Ltd.	614	–
Total	134,366	150,105

(b) As at 30 June 2019, dividends receivable aged over one year were RMB36,697,000 (31 December 2018: RMB36,697,000).

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) Other receivables

(a) Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	45,225,628	40,539,613
1 to 2 years	9,646,917	8,401,596
2 to 3 years	4,917,650	3,662,883
3 to 4 years	3,652,887	4,714,761
4 to 5 years	2,093,933	1,808,413
Over 5 years	2,130,025	2,043,503
Total book value	67,667,040	61,170,769
Less: provisions for credit losses	5,591,897	4,941,211
Carrying amount	62,075,143	56,229,558

(b) Provision for credit losses of other receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2018	1,822,012	1,219,994	1,899,205	4,941,211
Provision for the current period	112,540	464,306	121,581	698,427
Reversal for the current period	(198)	–	(23,790)	(23,988)
Other changes	(23,753)	–	–	(23,753)
Provision for credit losses at 30 June 2019	1,910,601	1,684,300	1,996,996	5,591,897
Carrying amount of other receivables at 30 June 2019	58,377,139	4,569,483	4,720,418	67,667,040

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Other receivables (Continued)

(4) Other receivables (Continued)

(c) Other receivables categorized by nature

Applicable Not Applicable

All amounts in RMB'000

Nature of other receivables	30 June 2019	31 December 2018
Guarantee deposits	28,157,297	25,107,121
Loan receivables from related parties	31,532,476	28,877,721
Advance to employees	457,979	356,862
Receivables on disposal of investments	2,704,572	2,704,572
Others	4,814,716	4,124,493
Total	67,667,040	61,170,769

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

Applicable Not Applicable

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	30 June 2019	Aging	As a percentage of total other receivables (%)
Party 1	Joint venture	Loan to related parties	5,013,889	Within 1 year	7.41
Party 2	Joint venture	Loan to related parties	3,122,907	Within 1 year	4.61
Party 3	Joint venture	Loan to related parties	2,961,005	Within 1 year	4.37
Party 4	Joint venture	Loan to related parties	2,588,971	Within 1 year	3.83
Party 5	Joint venture	Loan to related parties	2,359,896	Within 1 year	3.49
Total	/	/	16,046,668	/	23.71

(e) As at 30 June 2019, there was no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2018: nil).

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories

(1) Categories

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,606,175	56,656	3,549,519	3,782,710	55,485	3,727,225
Materials procurement	100,850	–	100,850	141,134	–	141,134
Outsourced processing materials	11,684	–	11,684	11,292	–	11,292
Work in progress	2,972,842	46,430	2,926,412	2,971,363	34,203	2,937,160
Finished goods	2,836,695	125,666	2,711,029	2,956,557	159,959	2,796,598
Other materials	685,160	6,672	678,488	653,412	6,678	646,734
Performance costs of contract	43,032	–	43,032	82,823	96	82,727
Properties under development (a)	35,415,508	103,041	35,312,467	34,911,011	103,041	34,807,970
Completed properties held for sale (b)	13,330,021	419,241	12,910,780	12,881,648	424,167	12,457,481
Total	59,001,967	757,706	58,244,261	58,391,950	783,629	57,608,321

Note: Inventories with title restriction are set out in Note VII69.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(1) Categories (Continued)

(a) Details of the properties under development

All amounts in RMB'000

Project name	Project Commencement date	Estimated Completion date	Estimated total investment amount	31 December 2018	
				31 December 2018	30 June 2019
Nanjin Xiaguanbin River Project	2011-01-01	2020-04-30	16,728,279	7,736,723	8,179,117
Hengqin Port Base Project	2015-03-01	2019-12-31	5,499,735	2,008,701	3,069,997
Tianjin Xinbadali District Qixianli Project	2014-12-25	2020-05-31	8,488,610	1,768,199	1,997,103
Singapore Tampines Apartment Project					
Block D	2015-10-01	2019-09-30	2,008,581	1,842,553	1,976,645
MCC 39 Street Project	2017-05-15	2023-12-31	2,639,749	2,211,208	1,957,783
MCC Xinglong New City Hongshijun	2017-12-20	2023-12-31	16,700,000	1,515,793	1,763,033
MCC Tongluo Town	2014-11-01	2020-12-31	3,500,000	2,336,422	1,645,364
Qin Hai Yun Villa Project	2011-08-08	2021-11-30	4,400,000	1,669,594	1,604,089
Guangdong, Zhuhai, Hengqin New City					
Headquarters Building II	2016-12-01	2019-11-30	9,309,159	1,224,790	1,261,843
Hong Kong Quanwan Project	2013-12-06	2019-12-31	1,439,810	1,145,704	1,224,195
Tangshan Fengrun Gengyang New City Project	2010-03-01	2022-12-31	10,550,000	1,186,509	886,874
Renhe Xili	2019-03-01	2020-12-31	1,924,000	-	856,141
Yanjiao Headquarters Base Project	2019-10-31	2022-09-30	3,235,120	-	688,955
Baotou MCC Campus South Road					
Community Project	2011-08-01	2019-12-31	4,100,000	1,010,315	685,148
MCC Riverside Project I & II	2013-12-31	2019-12-31	1,423,330	779,250	597,339
Changchengshili Spring Breeze Town	2018-03-03	2020-12-31	2,500,000	376,141	427,519
Anxinjiayuan Replacement Residence					
Project	2017-09-12	2019-12-31	650,000	344,258	403,984
Zhenjiang Yucui Garden	2014-06-01	2019-09-01	1,317,242	308,704	396,141
Shanghai Jinshan District - MCC					
Fengjunyuan Project II	2015-12-31	2019-07-30	590,516	391,582	395,337
Hubei Huangshi City MCC Huangshi					
Garden Project II	2015-01-01	2020-12-31	1,351,899	391,754	308,272
Baopan Lijingyuan Project	2018-05-28	2019-12-09	739,169	257,243	286,186
Qianhai Headquarter R&D Base					
Commercial properties of Southern R&D Center	2019-12-12	2024-06-12	2,174,280	266,200	274,584
MCC Shanghe Residence Project	2014-06-20	2019-12-31	867,232	240,519	266,396
Others	/	/	40,522,486	5,898,849	4,263,463
Total	/	/	142,659,197	34,911,011	35,415,508

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(1) Categories (Continued)

(b) Details of the completed properties held for sale

All amounts in RMB'000

Project name	Completion date	31 December 2018	Increase in the current period	Decrease in the current period	30 June 2019
Shijiazhuang MCC Dexian Mansion Project	2019-06-18	473,579	2,254,487	334,983	2,393,083
Tianjin Xinbadali District Qixianli Project	2019-06-26	1,742,388	54,768	443,765	1,353,391
Brazil Fluctuation Apartment Project	2018-10-30	2,091,640	34,016	1,186,556	939,100
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	1,111,375	15,521	246,720	880,176
Qin Hai Yun Villa Project	2019-06-19	528,852	366,140	330,522	564,470
Baotou MCC Campus South Road Community Project	2019-06-30	433,396	409,008	279,074	563,330
Nanjing Xiaguanbin River Project	2018-12-29	603,185	-	46,985	556,200
Dalian International Business City	2014-12-31	450,272	-	16,498	433,774
MCC Xinglong New City Hongshijun	2019-02-28	625,176	64,792	271,324	418,644
Tangshan Wutong Road Project	2012-10-31	451,024	290	43,054	408,260
Ma'anshan, Zhongdingyue City Project	2018-12-21	392,804	33,122	28,859	397,067
International Holiday Resort on Bai Zhi Mountain of MCC (Phase I)	2019-05-28	46,953	320,406	5,443	361,916
MCC Riverside Project I & II	2019-06-28	-	1,027,754	694,501	333,253
Heilongjiang Qiqihar, Longsha District New Century Plaza Project	2013-12-30	274,733	1,893	14,488	262,138
Anshan Yuluanwan Project III	2016-12-31	229,718	-	-	229,718
Anshan Yuluanwan Project II	2014-10-30	230,568	-	16,562	214,006
MCC Tianrun Jingyuan Project	2019-04-30	66,403	224,458	84,335	206,526
Others	/	3,129,582	3,100,421	3,415,034	2,814,969
Total	/	12,881,648	7,907,076	7,458,703	13,330,021

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

Items	Balance at	Increase			Decrease		30 June 2019
	31 December 2018	Provision	Others	Reversals	Write-offs	Others	
Raw materials	55,485	3,096	-	-	1,925	-	56,656
Work in progress	34,203	15,786	-	-	3,559	-	46,430
Finished goods	159,959	8,395	-	2,222	40,466	-	125,666
Other materials	6,678	-	-	6	-	-	6,672
Performance cost of contract	96	-	-	96	-	-	-
Properties under development	103,041	-	-	-	-	-	103,041
Completed properties held for sale	424,167	1,656	-	3,302	3,280	-	419,241
Total	783,629	28,933	-	5,626	49,230	-	757,706

(3) As at 30 June 2019, the total borrowing costs capitalized in properties under development were RMB4,166,524,000 (as at 31 December 2018: RMB4,141,293,000). Borrowing costs capitalized for the current period amounted to RMB650,672,000 (for the period ended 30 June 2018: RMB611,945,000). The capitalization rates of borrowing costs were from 3.02% to 8.95% (for the period ended 30 June 2018: from 2.80% to 8.50%).

9. Contract assets

(1) Presentation of contract assets

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Contract assets interrelated with engineering contracting services	72,918,430	2,671,839	70,246,591	64,706,417	2,545,766	62,160,651
Contract assets interrelated with quality guarantee deposit	4,641,387	193,253	4,448,134	4,884,672	325,774	4,558,898
Total	77,559,817	2,865,092	74,694,725	69,591,089	2,871,540	66,719,549

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Contract assets (Continued)

(2) Provision for impairment of contract assets

All amounts in RMB'000

Items	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2018	1,709,855	1,161,685	2,871,540
Provision for the current period	204,481	20,305	224,786
Reversal for the current period	(152,787)	(74,142)	(226,929)
Other changes	–	(4,305)	(4,305)
Provision for credit losses at 30 June 2019	1,761,549	1,103,543	2,865,092
Book value at 30 June 2019	76,370,424	1,189,393	77,559,817

(3) Qualitative analysis on contract assets

The engineering contracting services provided by the Group normally constitute the single performance obligation, which require to be fulfilled in a certain period. The Group shall determine the implementation progress according to the proportion of actual cost in estimated total cost (cost method). Engineering contracting services require regular settlement with the client, and the related contract consideration vests the Group the right to charge the consideration, which will be listed on receivables, to the client unconditionally after the completion of settlement. Under normal circumstances, there are some timing differences between the implementation progress and the settlement progress in engineering contracting. As at 30 June 2019, implementation progress of part of contracts exceeded the settlement progress, thus formed related contract assets, which transfer into receivables after the completion of settlement.

For the engineering quality deposit arising from the settlement of engineering contracting services provided by the Group, the Group has the right to receive the consideration unconditionally from the customer upon the expiration of the guarantee period with no significant quality issues occurred therein. Such deposit constituted contract assets and was transferred into accounts receivable under the above-said condition.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Contract assets (Continued)

(4) *West Australia SINO Iron Mining Project*

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

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

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 30 June 2019.

On 30 June 2019, the contract assets of the project mentioned above amounted to RMB3,678,035,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Non-current assets due within one year

All amounts in RMB'000

Item	30 June 2019	31 December 2018
Long term receivables due within one year (Note VII12)	3,002,921	3,498,610
Total	3,002,921	3,498,610

11. Other current assets

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
VAT debit balance	1,846,998	1,445,596
Prepayments of enterprise income tax	625,509	479,223
Total	2,472,497	1,924,819

12. Long-term receivables

(1) Long-term receivables

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Long-term receivables on project	24,406,163	22,052,258
Loans to related parties	1,772,217	2,460,338
Receivables on disposal of equity investments	333,485	333,485
Others (a)	1,453,609	1,415,068
Total carrying amount	27,965,474	26,261,149
Less: provision for credit losses for long-term receivables	1,652,034	1,141,857
Total book value	26,313,440	25,119,292
Including: Long-term receivables due within 1 year, net	3,002,921	3,498,610
Long-term receivables due over 1 year, net	23,310,519	21,620,682

At 30 June 2019, long-term receivables are presented on a net basis with the discount rate ranging from 4.35% to 4.90%.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables (Continued)

(1) Long-term receivables (Continued)

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

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

In 2015, the PNG Parties informed Ramu NiCo that they would acquire 15% beneficial interests in the Project, effective from 1 January 2015. The two parties agreed the historical project development costs borne by the PNG Parties would be USD190 million, which was accounted for as long-term receivables by the Group, and the construction costs of the Project reduced by the same amount correspondingly. This payment would be settled by the PNG Parties to the Group from a certain proportion of the future sales of the products of the Project by the PNG Parties. The outstanding long-term receivable from the PNG Parties by the Group is interest-bearing at a rate agreed by the PNG Parties and the Group. Meanwhile, the PNG Parties would bear 15% of the Project operation costs. As such, from 1 January 2015 onward, the proportion of the mineral products shared by Ramu NiCo would be reduced to 85%. The Group will enjoy 85% of the revenue and shared 85% of the operation costs of the Project accordingly. As at 30 June 2019, the PNG Parties had not fully paid off the historical project development costs to the Group, and the long-term receivables amounted to approximately RMB1,306 million (as at 31 December 2018 the long-term receivables amounted to approximately RMB1,304 million).

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables (Continued)

(2) Provision for credit losses for long-term receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2018	105,792	116,330	919,735	1,141,857
Provision for the current period	13,690	144,755	2,530	160,975
Reversal for the current period	(524)	(9,516)	(2,252)	(12,292)
Other changes	–	–	361,494	361,494
Provision for credit losses at 30 June 2019	118,958	251,569	1,281,507	1,652,034
Carrying amount of long- term receivables at 30 June 2019	24,994,674	1,620,555	1,350,245	27,965,474

- (3) As of 30 June 2019, the Group has no long-term receivables that are derecognized as a whole because almost all the risks and rewards related to the ownership have been transferred to the transferee but continues to be involved in the transferred financial assets.

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

Applicable Not Applicable

All amounts in RMB'000

Company name	31 December 2018	Movements during the current period							30 June 2019	Provision for impairment at 30 June 2019	
		Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends	Provision for impairment for the current year			Others
1. Joint ventures											
Guizhou Ziwang Highway Construction Co., Ltd. <i>(Note IX 1(1)(b))</i>	1,055,127	264,218	-	-	-	-	-	-	-	1,319,345	-
Guizhou Sanli Highway Construction Co., Ltd. <i>(Note IX 1(1)(b))</i>	1,001,535	100,000	-	(2,467)	-	-	-	-	-	1,099,068	-
Guizhou Sanshi Highway Construction Co., Ltd. <i>(Note IX 1(1)(b))</i>	659,990	80,974	-	(2,633)	-	-	-	-	-	738,331	-
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd. <i>(Note IX 1(1)(b))</i>	243,785	-	-	-	-	-	-	-	-	243,785	-
Beijing New Century Restaurant Co., Ltd. <i>(Note IX 1(1)(b))</i>	183,078	-	-	2,570	-	-	-	-	-	185,648	-
Others	1,787,332	362,166	(152,853)	(2,806)	(27)	-	-	-	-	1,993,812	219,720
Subtotal	4,930,847	807,358	(152,853)	(5,336)	(27)	-	-	-	-	5,579,989	219,720
2. Associates											
Tianjin SERI Machinery Equipment Corporation Ltd.	668,631	-	-	(42,104)	-	-	-	-	-	626,527	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	516,383	-	-	191	-	-	-	-	-	516,574	-
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership) <i>(Note IX 2(1)(a))</i>	-	400,000	-	-	-	-	-	-	-	400,000	-
Nanjing Ming's Culture Co., Ltd.	285,991	-	-	(7,237)	-	-	-	-	-	278,754	-
Shiyan Baoye Urban Construction Co., Ltd.	275,828	-	-	-	-	-	-	-	-	275,828	-
Others	7,177,175	915,670	(36,935)	6,628	(3)	-	(4,152)	-	-	8,058,383	56,731
Subtotal	8,924,008	1,315,670	(36,935)	(42,522)	(3)	-	(4,152)	-	-	10,156,066	56,731
Total	13,854,855	2,123,028	(189,788)	(47,858)	(30)	-	(4,152)	-	-	15,736,055	276,451

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Investments in other equity instruments

(1) Investments in other equity instruments

Applicable Not Applicable

All amounts in RMB'000

Item	30 June 2019	31 December 2018	Cash dividends for the current period
Investments in non-trading equity instruments – listed companies	412,716	396,680	1
Investments in non-trading equity instruments – unlisted companies	1,462,445	1,471,284	3,838
Total	1,875,161	1,867,964	3,839

Applicable Not Applicable

- (2) For the current period, the Group derecognized investment in other equity instruments, and transferred the accumulated gains from such investment previously included in other comprehensive income amounting to RMB16,685,000 to retained earnings.
- (3) As of 30 June 2019, the cumulative loss of other equity instruments held by the Group that are recorded in other comprehensive income is RMB3,527,000 (Note VII47).
- (4) Since these investments are non-tradable equity instruments and the Group is not expected to sell them in the foreseeable future, the Group designates these investments as financial assets at fair value through OCI. The method for determining the fair value of investment in other equity instruments can be found in Note XI.

15. Other non-current financial assets

Applicable Not Applicable

All amounts in RMB'000

Item	30 June 2019	31 December 2018
Financial assets at FVTPL	4,425,069	4,214,624
Including: Investment in unquoted fund product	4,315,573	4,184,517
Equity instrument investment	109,496	30,107
Total	4,425,069	4,214,624

The method for determining the fair value of above other non-current financial assets can be found in Note XI.

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 historical cost			
1. 31 December 2018	5,661,174	589,053	6,250,227
2. Increase	7,361	–	7,361
(1) Purchase or construction	3,356	–	3,356
(2) Transferred from fixed assets	2,931	–	2,931
(3) Others	1,074	–	1,074
3. Decrease	19,992	–	19,992
(1) Disposal	16,795	–	16,795
(2) Transferred to fixed assets	3,197	–	3,197
4. 30 June 2019	5,648,543	589,053	6,237,596
II. Total accumulated depreciation and amortization			
1. 31 December 2018	724,156	112,467	836,623
2. Increase	62,960	5,971	68,931
(1) Depreciation or amortization	62,798	5,971	68,769
(2) Transferred from fixed assets	5	–	5
(3) Others	157	–	157
3. Decrease	736	–	736
(1) Disposal	192	–	192
(2) Transferred to fixed assets	544	–	544
4. 30 June 2019	786,380	118,438	904,818
III. Total accumulated impairment provision			
1. 31 December 2018	21,471	–	21,471
2. Increase	–	–	–
(1) Provision	–	–	–
3. Decrease	1,139	–	1,139
(1) Disposal	1,139	–	1,139
4. 30 June 2019	20,332	–	20,332
IV. Total carrying amount			
1. 30 June 2019	4,841,831	470,615	5,312,446
2. 31 December 2018	4,915,547	476,586	5,392,133

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Investment properties (Continued)

- (2) As at 30 June 2019, the Group has buildings and structures of investment properties at carrying amount of RMB295,225,000 (historical cost of RMB310,671,000) of which the title certificates were not obtained by the Group (as at 31 December 2018: carrying amount of RMB298,942,000; historical cost of RMB310,671,000).

All amounts in RMB'000

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	295,225	In progress

- (3) Investment properties with title restriction as at 30 June 2019 are set out in Note VII69.

17. Fixed assets

(1) Fixed assets

Applicable Not Applicable

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
I. Total historical cost:					
1. 31 December 2018	22,791,820	22,773,369	2,228,033	3,663,525	51,456,747
2. Adjustments for changes in accounting policies (Note V28)	(7,277)	(410,460)	(55,434)	-	(473,171)
3. 1 January 2019	22,784,543	22,362,909	2,172,599	3,663,525	50,983,576
4. Increase	281,467	193,530	67,304	199,533	741,834
(1) Purchase	38,134	120,009	63,609	102,414	324,166
(2) Transferred from investment properties	3,197	-	-	-	3,197
(3) Transferred from construction in progress	136,055	61,928	-	5,446	203,429
(4) Others	104,081	11,593	3,695	91,673	211,042
5. Decrease	106,313	378,161	118,230	50,967	653,671
(1) Disposal or written-off	100,197	197,935	113,841	50,159	462,132
(2) Transferred to investment properties	2,931	-	-	-	2,931
(3) Others	3,185	180,226	4,389	808	188,608
6. 30 June 2019	22,959,697	22,178,278	2,121,673	3,812,091	51,071,739

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Fixed assets (Continued)

(1) Fixed assets (Continued)

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
II. Total accumulated depreciation					
1. 31 December 2018	6,362,194	12,744,945	1,471,736	1,445,542	22,024,417
2. Adjustments for changes in accounting policies (Note V28)	(2,218)	(294,486)	(44,844)	-	(341,548)
3. 1 January 2019	6,359,976	12,450,459	1,426,892	1,445,542	21,682,869
4. Increase	403,407	698,062	77,846	141,101	1,320,416
(1) Depreciation	389,310	689,710	74,241	110,329	1,263,590
(2) Transferred from investment properties	544	-	-	-	544
(3) Others	13,553	8,352	3,605	30,772	56,282
5. Decrease	51,537	199,934	84,061	20,645	356,177
(1) Disposal or written-off	49,824	163,418	83,953	20,232	317,427
(2) Transferred to investment properties	5	-	-	-	5
(3) Others	1,708	36,516	108	413	38,745
6. 30 June 2019	6,711,846	12,948,587	1,420,677	1,565,998	22,647,108
III. Total impairment provision					
1. 31 December 2018	692,400	1,231,838	22,357	115,695	2,062,290
2. Adjustments for changes in accounting policies (Note V28)	-	-	-	-	-
3. 1 January 2019	692,400	1,231,838	22,357	115,695	2,062,290
4. Increase	401	551	78	218	1,248
(1) Provision	-	11	-	5	16
(2) Others	401	540	78	213	1,232
5. Decrease	13,073	23,615	112	1	36,801
(1) Disposal or written-off	10,178	10,140	91	-	20,409
(2) Others	2,895	13,475	21	1	16,392
6. 30 June 2019	679,728	1,208,774	22,323	115,912	2,026,737
IV. Total carrying amount					
1. 30 June 2019	15,568,123	8,020,917	678,673	2,130,181	26,397,894
2. 31 December 2018	15,737,226	8,796,586	733,940	2,102,288	27,370,040

(2) Temporary idle fixed assets

Applicable Not Applicable

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	287,573	91,759	157,334	38,480	Seasonal suspension or idle
Machinery and equipment	755,045	328,811	352,649	73,585	Seasonal suspension or idle
Other equipment	19,934	18,654	23	1,257	Seasonal suspension or idle

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Fixed assets (Continued)

(3) Fixed assets under operating leases

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019
Machinery equipment and others	61,530

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

Applicable Not Applicable

Buildings and structures with an aggregate carrying amount of RMB303,577,000 (historical cost: RMB372,988,000) as at 30 June 2019 (as at 31 December 2018: carrying amount of RMB311,177,000; historical cost of RMB372,988,000) were in the process of applying for relevant title certificates.

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	158,361	In the process
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	131,003	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	14,213	In the process

(5) Fixed assets with title restriction as at 30 June 2019 are set out in Note VII 69.

18. Construction in progress

(1) Construction in progress analysed by category

Applicable Not Applicable

All amounts in RMB'000

Category	30 June 2019	31 December 2018
Construction in progress	4,501,002	3,308,517
Materials for construction of fixed assets	63,893	71,454
Total	4,564,895	3,379,971

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Construction in progress (Continued)

(2) Construction in progress

(a) Construction in progress

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	1,081,660	–	1,081,660	1,067,758	–	1,067,758
MCC Tongluo Town Supporting Project	834,459	–	834,459	–	–	–
CISDI Chengdu Research and Design Center	245,610	–	245,610	209,868	–	209,868
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	214,858	–	214,858	152,768	–	152,768
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	211,552	–	211,552	180,315	–	180,315
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	187,477	–	187,477	183,682	–	183,682
Duda lead and zinc project	738,507	603,202	135,305	697,957	603,202	94,755
Development and industrialization of high-level purity electronic polysilicon	131,992	–	131,992	102,719	–	102,719
Daye colored 15,000 Nm ³ /h oxygen generator project	67,014	–	67,014	44,028	–	44,028
Hunnan District Technology Research Center	59,236	–	59,236	58,258	–	58,258
Others	1,349,430	17,591	1,331,839	1,227,211	12,845	1,214,366
Total	5,121,795	620,793	4,501,002	3,924,564	616,047	3,308,517

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Construction in progress (Continued)

(2) Construction in progress (Continued)

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

Applicable Not Applicable

All amounts in RMB'000

Items	Budgeted amount	31 December 2018	Increase	Transfer to fixed assets /investment properties	Other changes	30 June 2019	Cost incurred as a percentage of budgeted amount (%)	Construction progress (%)	Accumulated capitalized borrowing costs	Latest rate Including: of borrowing Capitalized borrowing costs for the current period	Latest rate of borrowing costs capitalized for the current period (%)	Sources of fund
Infrastructure project of MCC JCL Anak Mining Co., Ltd.	23,847,800	1,067,758	13,902	-	-	1,081,660	19.55	19.55	-	-	-	Self-raised fund
MCC Tongluo Town Supporting Project	1,037,373	-	834,459	-	-	834,459	80.44	80.44	-	-	-	Self-raised fund
CISDI Chengdu Research and Design Center	766,550	209,868	35,742	-	-	245,610	32.04	32.04	-	-	-	Self-raised fund
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	152,768	62,090	-	-	214,858	21.49	21.49	5,544	2,410	6.64	Self-raised fund and borrowings from financial institutions
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	220,000	180,315	31,237	-	-	211,552	96.16	96.16	-	-	-	Self-raised fund
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	400,000	183,682	3,795	-	-	187,477	46.87	46.87	-	-	-	Self-raised fund
Duda lead and zinc project	1,116,845	697,957	43,506	(2,956)	-	738,507	90.76	90.76	16,134	628	5.00	Self-raised fund and borrowings from financial institutions
Development and industrialization of high-level purity electronic polysilicon	280,000	102,719	29,273	-	-	131,992	47.14	47.14	-	-	-	Self-raised fund
Daye colored 15,000Nm ³ /h oxygen generator project	121,960	44,028	22,986	-	-	67,014	54.95	54.95	1,422	1,422	5.22	Self-raised fund and borrowings from financial institutions
Hunnan District Technology Research Center	62,100	58,258	978	-	-	59,236	95.39	95.39	-	-	-	Self-raised fund
Others	9,884,879	1,227,211	331,099	(201,414)	(7,466)	1,349,430	/	/	22,636	6,147	/	/
Total	38,737,507	3,924,564	1,409,067	(204,370)	(7,466)	5,121,795	/	/	45,736	10,607	/	/

(c) The Group made provision for impairment of construction in progress of RMB5,564,000 for the current period (for the period ended 30 June 2018: RMB137,000). As at 30 June 2019, the balance of the impairment provision for construction in progress of the Group was RMB620,793,000 (as at 31 December 2018: RMB616,047,000).

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Construction in progress (Continued)

(3) Materials for construction

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Materials	15,421	22,776
Equipment	47,785	47,985
Tools and instruments prepared for production	663	669
Others	24	24
Total	63,893	71,454

19. Right of use assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Others	Total
I. Total historical cost:					
1. 1 January 2019	184,851	60,991	419,746	9,025	674,613
2. Increase	229,899	3,421	52,844	245	286,409
(1) New leases	229,899	3,421	52,844	245	286,409
3. Decrease	–	–	–	–	–
4. 30 June 2019	414,750	64,412	472,590	9,270	961,022
II. Total accumulated amortization					
1. 1 January 2019	2,218	44,844	294,486	–	341,548
2. Increase	59,959	3,337	21,767	1,381	86,444
(1) Provision	59,959	3,337	21,767	1,381	86,444
3. Decrease	–	–	–	–	–
4. 30 June 2019	62,177	48,181	316,253	1,381	427,992
III. Total impairment provision					
1. 1 January 2019	–	–	–	–	–
2. 30 June 2019	–	–	–	–	–
IV. Carrying amount					
1. 30 June 2019	352,573	16,231	156,337	7,889	533,030
2. 1 January 2019 (Note V 28)	182,633	16,147	125,260	9,025	333,065

(1) For the current period, the Group's short-term leasing fee, which is simplified and charged to current profits and losses, is RMB107,483,000.

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Intangible assets

(1) Intangible assets

Applicable Not Applicable

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
I. Total historical cost:							
1. 31 December 2018	7,879,386	3,992,984	9,338,971	620,652	72,459	270	21,904,722
2. Increase	34,908	2,546	367,495	28,625	9,333	-	442,907
(1) Purchase	34,826	221	367,495	26,577	9,333	-	438,452
(2) Transferred from construction in progress	-	-	-	941	-	-	941
(3) Others	82	2,325	-	1,107	-	-	3,514
3. Decrease	25,257	4,850	16,571	14,417	-	-	61,095
(1) Disposal or write-off	23,450	-	16,571	14,416	-	-	54,437
(2) Others	1,807	4,850	-	1	-	-	6,658
4. 30 June 2019	7,889,037	3,990,680	9,689,895	634,860	81,792	270	22,286,534
II. Total accumulated amortization							
1. 31 December 2018	1,366,763	57,699	1,250,888	446,033	43,136	270	3,164,789
2. Increase	71,026	1,607	141,701	27,487	2,444	-	244,265
(1) Amortization	71,026	1,574	141,701	26,387	2,444	-	243,132
(2) Others	-	33	-	1,100	-	-	1,133
3. Decrease	4,894	-	10,736	14,374	-	-	30,004
(1) Disposal or write-off	4,524	-	10,736	14,373	-	-	29,633
(2) Others	370	-	-	1	-	-	371
4. 30 June 2019	1,432,895	59,306	1,381,853	459,146	45,580	270	3,379,050
III. Total impairment provision							
1. 31 December 2018	99,606	2,501,565	-	250	4,783	-	2,606,204
2. Increase	42	-	-	-	-	-	42
(1) Others	42	-	-	-	-	-	42
3. Decrease	2,223	4,834	-	-	-	-	7,057
(1) Disposal or write-off	471	-	-	-	-	-	471
(2) Others	1,752	4,834	-	-	-	-	6,586
4. 30 June 2019	97,425	2,496,731	-	250	4,783	-	2,599,189
IV. Total carrying amount							
1. 30 June 2019	6,358,717	1,434,643	8,308,042	175,464	31,429	-	16,308,295
2. 31 December 2018	6,413,017	1,433,720	8,088,083	174,369	24,540	-	16,133,729

As at 30 June 2019, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.04% (as at 31 December 2018: 0.04%).

(2) For the current period, the Group made no extra impairment provision of Cape Lambert Iron Project owned by the Group. As at 30 June 2019, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,476,508,000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB273,594,000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 30 June 2019 are set out in Note VII 69.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Goodwill

(1) Original historical cost

Applicable Not Applicable

All amounts in RMB'000

Company name	31 December 2018	Increase		Decrease		30 June 2019
		Business combinations	Others	Disposal	Others	
MCC Finance Corporation Ltd.	105,032	-	-	-	-	105,032
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	31,412	-	-	-	2,417	28,995
Chengde Tiangong Architectural Design Co., Ltd.	33,460	-	-	-	-	33,460
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	18,533	-	-	-	-	18,533
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,779	-	-	-	-	9,779
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
Beijing Tianrun Construction Co., Ltd.	5,142	-	-	-	-	5,142
Shanghai WuGang Equipment Engineering Co., Ltd.	1,114	-	-	-	-	1,114
Total	317,702	-	-	-	2,417	315,285

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Goodwill (Continued)

(2) Impairment provision

Applicable Not Applicable

All amounts in RMB'000

Company name	31 December 2018	Increase		Decrease		30 June 2019
		Provision	Others	Disposal	Others	
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	31,412	-	-	-	2,417	28,995
Beijing XinAn Real Estate Development Co., Ltd.	11,830	-	-	-	-	11,830
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,071	83	-	-	-	9,154
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	810	-	-	-	-	810
Total	154,523	83	-	-	2,417	152,189

- (3) When the Group performs impairment assessment on goodwill arising from business combination, the Group allocates the book value of goodwill to the asset groups or portfolio that is expected to benefit from the synergistic effect of enterprise merger, and evaluates the recoverable amount of the asset groups or portfolio that contains the apportioned goodwill.
- (4) The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33% (As at 31 December 2018: 17.33%). Cash flow projections during the forecast period for the asset groups are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development. The recoverable value of the asset groups of the other subsidiaries, are calculated based on the present value of future cash flows as well, but not significant to the Group.

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Long-term prepayments

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Changes of accounting policies (Note V.28)		Increase	Amortization	Other decrease	30 June 2019
		1 January 2019					
Improvements of leasehold	24,393	–	24,393	8,114	6,170	–	26,337
Insurance expenditures	16,702	–	16,702	–	4,461	–	12,241
Rental expenditures	26,737	(26,737)	–	–	–	–	–
Repair expenditures	15,293	–	15,293	1,927	2,000	–	15,220
Others	186,545	–	186,545	23,493	31,526	–	178,512
Total	269,670	(26,737)	242,933	33,534	44,157	–	232,310

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

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019		31 December 2018	
	Deductible temporary differences/ tax losses	Deferred tax assets	Deductible temporary differences/ tax losses	Deferred tax assets
Impairment provision	21,003,290	3,781,383	20,298,566	3,759,761
Unrealized profit on inter- company transactions	2,350,702	548,767	2,025,496	471,805
Defined benefit plans	1,506,755	336,102	1,545,866	359,206
Deductible tax losses	1,134,862	199,539	737,101	160,586
Employee benefits payable	374,076	60,654	384,224	65,199
Changes in the fair value of other equity instrument investments	200,977	40,804	205,960	42,082
Others	1,589,732	351,371	1,685,999	372,152
Total	28,160,394	5,318,620	26,883,212	5,230,791

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	55,149	16,280	59,892	17,937
Changes in the fair value of investments of other equity instruments	253,177	41,607	232,034	37,175
Others	382,353	93,146	547,159	134,634
Total	690,679	151,033	839,085	189,746

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

Applicable Not Applicable

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the period		The offset amount of deferred tax assets and liabilities at the beginning of the period	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Deferred tax assets	46,449	5,272,171	78,359	5,152,432
Deferred tax liabilities	46,449	104,584	78,359	111,387

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

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Deductible temporary differences	7,246,654	6,914,459
Deductible tax losses	10,687,916	12,716,672
Total	17,934,570	19,631,131

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Applicable Not Applicable

All amounts in RMB'000

Year	30 June 2019	31 December 2018
2019	–	2,754,216
2020	2,590,430	2,639,704
2021	3,321,820	3,427,601
2022	1,784,249	1,824,709
2023	2,070,442	2,070,442
2024	920,975	–
Total	10,687,916	12,716,672

24. Other non-current assets

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Deposits for acquisition of assets	102,552	61,393
Continuing involvement in the transferred financial asset (Note VII 4(5))	14,600	14,600
Total	117,152	75,993

25. Short-term borrowings

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

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Mortgaged loans (a)	182,997	1,171,500
Credit loans	48,965,472	46,802,064
Total	49,148,469	47,973,564

(a) *Mortgaged loans*

As at 30 June 2019, borrowings of RMB182,997,000 (31 December 2018: RMB1,171,500,000) were secured by the mortgage of the Group's intangible assets, fixed assets and inventories in an aggregate amount of RMB504,048,000 (as at 31 December 2018: intangible assets and fixed assets of RMB1,503,143,000).

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Short-term borrowings (Continued)

(2) For the current period, the weighted average interest rate of short-term borrowings was 4.39% per annum (For the period ended 30 June 2018: 4.48% per annum).

26. Derivative financial liabilities

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
USD foreign exchange option	2,615	496
Total	2,615	496

Determination of fair value of derivative financial liabilities refers to Note XI 3.

27. Bills payable

Applicable Not Applicable

All amounts in RMB'000

Category	30 June 2019	31 December 2018
Bank acceptance bills	27,189,738	25,251,870
Commercial acceptance bills	2,697,820	2,499,137
Total	29,887,558	27,751,007

28. Accounts payable

(1) Presentation of accounts payable

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Project fees	78,045,975	77,608,913
Purchases	32,868,511	28,487,082
Design fees	290,437	287,087
Labor fees	5,932,441	5,478,789
Retention money	659,800	633,018
Others	752,523	766,002
Total	118,549,687	113,260,891

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Accounts payable (Continued)

(2) Aging analysis of accounts payable

Applicable Not Applicable

All amounts in RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	88,612,628	80,480,768
1 to 2 years	15,294,735	16,570,927
2 to 3 years	5,114,315	6,194,146
Over 3 years	9,528,009	10,015,050
Total	118,549,687	113,260,891

(3) On 30 June 2019, accounts payable of RMB29,937,059,000 (31 December 2018: RMB32,780,123,000) aged over one year were mainly due to project and materials payable, as both parties remained Business transactions have taken place and the amount has not been settled.

29. Receipts in advance

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Lease receipts in advance	246,541	191,783
Total	246,541	191,783

30. Contract liabilities

(1) Presentation of contract liabilities

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Contract liabilities relating to engineering contracting service contracts	38,321,869	40,795,568
Contract liabilities relating to sales contracts	15,153,639	16,591,164
Contract liabilities relating to other customers' contracts	1,700,454	1,531,561
Total	55,175,962	58,918,293

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Contract liabilities (Continued)

(2) Qualitative analysis on contract liabilities

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

As presented in Note VII 9, the engineering contracting services provided by the Group require regular settlements with the customers. Under normal circumstances, there are some time differences among the implementation and settlement progress of the engineering contracting service contracts or the progress of receipt. As at 30 June 2019, the implementation progress of some engineering contracting service contracts lagged behind the settlement progress or receipt progress, which means the Group has acquired the contract consideration or the right to gain contract consideration unconditionally, thus form the contract liabilities relating to engineering contracting services.

The sales contracts of the Group normally satisfied at a point in time. The Group will recognize revenue at the time of acquiring the control of the related goods. As at 30 June 2019, the implementation time of performance obligation of the Group in the sale contract was later than the payment time of the customers, thus formed the related contract liability of the sale contract.

31. Employee benefits payable

(1) Employee benefits payable

Applicable Not Applicable

All amounts in RMB'000

Items	31 December			30 June
	2018	Increase	Decrease	2019
I. Short-term employee benefits	1,682,251	8,454,260	8,326,887	1,809,624
II. Post-employment benefits				
– defined contribution plan	260,386	1,179,954	1,212,648	227,692
III. Termination benefits	11,255	27,657	30,669	8,243
IV. Other benefits	4,269	1,126,023	1,062,961	67,331
Total	1,958,161	10,787,894	10,633,165	2,112,890

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Employee benefits payable (Continued)

(2) Short-term employee benefits

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	30 June 2019
I. Salaries, bonuses, allowances and subsidies	626,787	6,857,956	6,730,669	754,074
II. Staff welfare	9,070	306,296	309,089	6,277
III. Social insurance premiums	30,607	553,574	551,270	32,911
Including: Medical insurance	28,805	480,881	478,739	30,947
Work-related injury insurance	1,208	37,911	37,813	1,306
Maternity insurance	594	34,782	34,718	658
IV. Housing provident funds	195,216	564,254	600,887	158,583
V. Labor union expenditures and employees' education expenses	820,571	172,180	134,972	857,779
Total	1,682,251	8,454,260	8,326,887	1,809,624

(3) Defined contribution plan

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	30 June 2019
1. Basic retirement insurance	140,848	940,801	974,954	106,695
2. Unemployment insurance	7,317	30,430	30,570	7,177
3. Supplementary pension	112,221	208,723	207,124	113,820
Total	260,386	1,179,954	1,212,648	227,692

Applicable Not Applicable

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.

For the current period, the Group made deposits amounting to RMB1,179,954,000 (For the period ended 30 June 2018: RMB1,444,941,000) to the defined contribution plan. As at 30 June 2019, there was a payable amount of RMB227,692,000 (31 December 2018: RMB260,386,000).

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Taxes payable

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Value added tax	357,921	685,467
Consumption tax	6,960	16,806
Enterprise income tax	909,802	1,442,077
Individual income tax	92,127	343,598
City maintenance and construction tax	35,906	57,206
Education surcharges	26,186	41,367
Land appreciation tax	816,488	981,005
Others	232,685	226,538
Total	2,478,075	3,794,064

33. Other payables

(1) Other payables disclosed by nature

Applicable Not Applicable

All amounts in RMB'000

Categories	30 June 2019	31 December 2018
Interests payable	45,262	164,662
Dividends payable	2,337,374	1,233,385
Other payables	27,784,618	22,155,180
Total	30,167,254	23,553,227

(2) Interests payable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Interests payable on long-term borrowings	2,527	120,116
Interests payable on corporate bonds	24,697	24,697
Interests payable on short-term borrowings	6,313	12,308
Others	11,725	7,541
Total	45,262	164,662

As at 30 June 2019, the Group did not have any significant overdue interest.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other payables (Continued)

(3) Dividends payable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Dividends due to MCC	815,038	–
Other ordinary dividends of the Company other than those due to MCC	635,615	–
Dividend declared on perpetual bonds classified as equity instrument	346,905	687,630
Other dividends	539,816	545,755
Total	2,337,374	1,233,385

Dividends aged over one year but not settled yet is RMB389,605,000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

(4) Other payables

(a) Other payables disclosed by nature

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Guarantees and deposits payable	16,084,453	14,900,075
Utilities payable	135,821	132,333
Repair and maintenance payable	361,635	368,680
Payables for land use rights	22,535	22,535
Payables for borrowings and loans	3,369,300	197,682
Others	7,810,874	6,533,875
Total	27,784,618	22,155,180

(b) On 30 June 2019, other payables aged over one year of RMB9,296,133,000 (31 December 2018: RMB10,105,658,000) were mainly guarantees and deposits payable collected by the Group, that both parties remained Business transactions continue to occur and the amount has not been settled.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Non-current liabilities due within one year

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Long-term borrowings due within one year (Note VII 36)	11,775,226	13,136,111
Bonds payable due within one year (Note VII 37)	6,890,927	989,992
Lease liabilities due within one year (Note VII 38)	182,168	--
Long-term payables due within one year (Note VII 39)	38,000	290,189
Long-term employee benefits payable due within one year (Note VII 40)	289,829	356,210
Total	19,176,150	14,772,502

35. Other current liabilities

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Amounts to be transferred to output VAT	5,131,361	4,811,859
Total	5,131,361	4,811,859

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Pledge loans (a)	2,827,544	1,424,968
Mortgage loans (b)	5,309,903	5,036,346
Guarantee loans (c)	1,531,524	1,501,860
Credit loans	29,756,443	28,966,173
Total	39,425,414	36,929,347
Less: Long-term borrowings due within one year (Note VII 34)	11,775,226	13,136,111
Including: Pledge loans	976,592	432,549
Mortgage loans	2,684,756	2,561,709
Guarantee loans	1,531,524	–
Credit loans	6,582,354	10,141,853
Long-term borrowings due over one year	27,650,188	23,793,236

- (a) Pledge loans: As at 30 June 2019, long-term borrowings of RMB2,827,544,000 (as at 31 December 2018: RMB1,424,968,000) were secured by the pledge of the Group's accounts receivable in amount of RMB3,502,713,000 (as at 31 December 2018: RMB1,580,739,000).
- (b) Mortgage loans: As at 30 June 2019, long-term borrowings of RMB5,309,903,000 (as at 31 December 2018: RMB5,036,346,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties and inventories in amount of RMB8,161,087,000 (as at 31 December 2018: RMB7,977,452,000).
- (c) Guaranteed loans: As at 30 June 2019, long-term borrowings of RMB1,531,524,000 were guaranteed by CMGC (as at 31 December 2018: RMB1,501,860,000).

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Long-term borrowings (Continued)

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

Applicable Not Applicable

All amounts in RMB'000

Maturity Date	30 June 2019	31 December 2018
1 to 2 years	12,920,542	8,061,123
2 to 5 years	9,914,568	11,561,184
Over 5 years	4,815,078	4,170,929
Total	27,650,188	23,793,236

(3) For the current period, the weighted average interest rate of long-term borrowings was 5.31% per annum (For the period ended 30 June 2018: 4.50% per annum).

(4) As at 30 June 2019, the Group did not have any significant overdue long-term borrowings.

37. Bonds payable

(1) Bonds payable

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Corporate debentures	1,678,760	2,643,775
USD debentures	6,872,167	6,858,308
Total	8,550,927	9,502,083
Including: Bonds payable due within one year (Note VII 34)	6,890,927	989,992
Bonds payable due over one year	1,660,000	8,512,091

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Bonds payable (Continued)

(2) Movements of bonds payable

Applicable Not Applicable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	31 December 2018	Issued in the current year	Accrued interests	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current Period	30 June 2019
Corporate Debentures	3,500,000	2016-03-03	3 years	3,500,000	952,632	-	5,868	-	-	958,500	-
USD debentures (a)	3,431,650	2017-05-31	3 years	3,411,043	3,426,105	-	50,704	5,733	3,510	51,658	3,434,394
USD debentures (b)	3,378,100	2017-07-17	Until 30 May 2020	3,376,770	3,432,203	-	50,701	5,749	232	51,112	3,437,773
Corporate Debentures (c)	570,000	2017-10-24 to 2017-10-25	5 years	570,000	573,377	-	14,105	-	-	7,317	580,165
Corporate Debentures (d)	870,000	2018-05-07 to 2018-05-08	3 years	870,000	891,639	-	20,622	-	-	36,270	875,991
Corporate Debentures (e)	220,000	2018-05-07 to 2018-05-08	5 years	220,000	226,127	-	5,433	-	-	8,956	222,604
Total	11,969,750	/	/	11,947,813	9,502,083	-	147,433	11,482	3,742	1,113,813	8,550,927

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Bonds payable (Continued)

(2) *Movements of bonds payable (Continued)*

- (a) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 31 May 2017 at a discounted price of USD496,998,000 with a face value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.
- (b) MCC Holding (Hong Kong) Corporation Limited issued USD debentures on 17 July 2017 at a discounted price of USD499,803,000 with a face value of USD500,000,000. The maturity date is 30 May 2020. The debentures bear interests at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.
- (c) As approved by CSRC, the Company issued corporate debentures publicly from 24 October 2017 to 25 October 2017, at an equal price with the face value of RMB570,000,000, a term of five years from issuance. The debentures bear interests at a fixed rate of 4.99% per annum. Interest will be paid every year and principal will be paid upon maturity date.
- (d) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at an equal price with the face value of RMB870,000,000 with a term of three years from issuance and interest bearing at a fixed rate of 4.78%. Interest will be paid every year and principal will be paid upon maturity date.
- (e) As approved by CSRC, the Company issued corporate debentures on a public issuance basis from 7 May 2018 to 8 May 2018 at an equal price with the face value of RMB220,000,000 with a term of five years from issuance and interest bearing at a fixed rate of 4.98%. Interest will be paid every year and principal will be paid upon maturity date.

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Lease liabilities

(1) Lease liabilities disclosed by nature

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019
Lease of buildings and structures	333,775
Other leases	170,867
Total	504,642
Including: Lease liabilities due within one year (Note VII 34)	182,168
Lease liabilities due over one year	322,474

(2) Analysis of the maturity profile of lease liabilities

All amounts in RMB'000

Maturity date	30 June 2019
1st year after the balance sheet date	190,322
2nd year after the balance sheet date	161,769
3rd year after the balance sheet date	95,830
Subsequent years	103,538
Total minimum lease payments	551,459
Less: Unrecognized financing cost	46,817
Total lease liabilities	504,642

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Long-term payables

(1) Presentation of long-term payables

All amounts in RMB'000

Categories	30 June 2019	31 December 2018
Long-term payables	851,818	921,514
Special payables	241,677	259,006
Total	1,093,495	1,180,520

(2) Long-term payables

(a) Long-term payables disclosed by nature

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Finance lease payables	--	115,894
Housing maintenance fee payables	41,931	41,911
Amounts due to funds	376,858	376,858
Others	471,029	677,040
Total	889,818	1,211,703
Including: Long-term payables due within one year (Note VII 34)	38,000	290,189
Long-term payables due over one year	851,818	921,514

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Long-term payables (Continued)

(2) Long-term payables (Continued)

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

All amounts in RMB'000

Maturity Date	30 June 2019	31 December 2018
1 to 2 years	381,553	385,878
2 to 5 years	7,257	85,575
Over 5 years	463,008	450,061
Total	851,818	921,514

(c) Details of finance lease payables

All amounts in RMB'000

	31 December 2018
The first year after balance sheet	39,064
The second year after balance sheet	30,842
The third year after balance sheet	14,126
Subsequent years	49,442
Minimum lease payments	133,474
Less: Unrecognized finance costs	17,580
Finance lease payables	115,894
Including: Amount due for settlement within one year	32,057
Amount due for settlement after one year	83,837

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Long-term payables (Continued)

(3) Special payables

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	30 June 2019
Housing allowance payables	607	–	–	607
Special housing maintenance fee payables	47	10	–	57
Special payables for "water/power/gas supply and property" (Note)	254,978	–	17,339	237,639
Others	3,374	–	–	3,374
Total	259,006	10	17,339	241,677

Note: The Company has commenced the transfer of water/power/gas supply and property with the received special payables for water/power/gas supply and property aggregated to the special payables for settlement, in accordance with the *Notice of Rewarding the Guidance on the Separation and Transfer of Water/Power/Gas Supply and Property in Residential Quarters for Employees of the State-owned Enterprises by State-owned Assets Supervision and Administration Commission of the State Council, the MoF from the General Office of the State Council* (Guo Ban Fa [2016] No.45), and the *Management of Central Government Grants on the Separation and Transfer of Water/Power/Gas Supply and Property to Employees and Their Relatives of Central Enterprises* (Cai Zi [2016] No.38) and other related management documents etc.

40. Long-term employee benefits payable

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Post-employment benefits – Net liability arising from defined benefit plan	3,718,354	3,853,063
Total	3,718,354	3,853,063
Including: Long-term employee benefits payable due within one year (Note VII 34)	289,829	356,210
Long-term employee benefits payable due over one year	3,428,525	3,496,853

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Long-term employee benefits payable (Continued)

(a) Movements in the defined benefit plan

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Opening balance	3,853,063	3,933,492
II. Defined benefit costs recognized in profit or loss	71,657	71,556
1. Past service cost	12,001	–
2. Net interest expense	59,656	71,556
III. Defined benefit costs recognized in other comprehensive income	(450)	133,654
1. Actuarial (gains) losses	(450)	133,654
IV. Other movements	(205,916)	(240,602)
1. Benefits paid	(205,916)	(240,602)
V. Closing balance	3,718,354	3,898,100

(b) Defined benefit plan was for the staff retired before 31 December 2007. The retirement benefits received are depended on the retirement position, seniority and salary of the staff etc. The Group's supplementary-retirement benefits obligation at the balance sheet date was calculated by an external independent actuary "Willis Towers Watson" using projected unit credit actuarial cost method.

(c) Defined benefits plan exposes the Group in various risks, mainly including the risk of change of interest rate of treasury bonds, inflation rate risk, and risk of the increase in life expectancy. The drop of the interest rate of treasury bonds will increase the defined benefit plan obligations. The Group is of the view that the interest rate of treasury bonds will not have significant fluctuations in the future. The changes of inflation rate will have impact on the significant assumptions of the living costs of the underlying staff and survivors, and the growth rate of the staff medical expense reimbursements. The Group believes this risk is not significant. The increase of the life expectancy will increase the defined benefit plan obligations.

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

	30 June 2019	31 December 2018
Discount rate	3.25%	3.25%
Mortality rate	CLA CL5/CL6 up 3	CLA CL5/CL6 up 3
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Provisions

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018	Reasons
Pending litigations	41,754	41,511	Because of the verdict of losing a lawsuit, the Group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	4,229	4,966	Because of the sales contract, the Group needed to bear the present obligations of the product quality warranties, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Restoration, rehabilitation and environmental provision	201,106	201,474	Because of the resource development contract, the Group needed to bear the present obligations of the restoration of the environment, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Onerous contract to be performed	197,867	182,893	It is probable that the performance of the present obligation arising from the Group's payment for expected contract loss due to the onerous contract to be performed will result in an outflow of economic benefits and reliable measurement of the obligation amount.
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	333,124	417,759	In accordance with the requirement of Guo Ban Fa [2016] No.45, Cai Zi [2016] No.38, and other related management documents, the Group shall bear the current obligation formed during the separation and hand-over of "Special payables for water/power/gas supply and property". An outflow of resources would be required to settle this obligation and the amount had been reliably estimated.
Others	12,408	13,136	Others
Total	790,488	861,739	/

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Deferred income

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	30 June 2019	Reasons
Government grants	1,188,056	117,315	68,078	1,237,293	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	102,070	–	14,253	87,817	Others
Total	1,290,126	117,315	82,331	1,325,110	/

43. Other non-current liabilities

Applicable Not Applicable

All amounts in RMB'000

Item	30 June 2019	31 December 2018
Continuing involvement in the transferred financial liabilities (Note VII 4(5))	14,600	14,600
Total	14,600	14,600

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Share capital

Applicable Not Applicable

All amounts in RMB'000

Item	31 December 2018	Movements during the current year				Subtotal	30 June 2019
		Issue of new shares	Bonus issue	Shares converted from capital reserve	Others		
Total shares	20,723,619	-	-	-	-	-	20,723,619

45. Other equity instruments

All amounts in RMB'000

Name of financial instrument	31 December 2018		Increase		Decrease		30 June 2019	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
First tranche of medium term notes of 2015	5,000	4,925,000	-	-	-	-	5,000	4,925,000
Public issuance of renewable corporate bonds in 2017 (1st Tranche)	2,700	2,699,779	-	-	-	-	2,700	2,699,779
Public issuance of renewable corporate bonds in 2017 (2nd Tranche)	2,000	1,999,836	-	-	-	-	2,000	1,999,836
Public issuance of renewable corporate bonds in 2017 (3rd Tranche)	2,000	1,999,803	-	-	-	-	2,000	1,999,803
Public issuance of renewable corporate bonds in 2017 (4th Tranche)	1,300	1,299,872	-	-	-	-	1,300	1,299,872
Renewable financing instruments in 2018	/	3,000,000	-	-	-	-	/	3,000,000
Renewable financing instruments in 2019 (a)	/	-	-	600,000	-	-	/	600,000
Total	13,000	15,924,290	-	600,000	-	-	13,000	16,524,290

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Other equity instruments (Continued)

As it is at the discretion of the Company to decide whether to redeem the above-mentioned medium-term notes or defer payments on the above-mentioned corporate bonds and renewable financing instruments, the above-mentioned renewable financing instruments' perpetuity remains in effect. Unless otherwise dictated by a compulsory interest payment occurrence that is independently decided and consequently controlled by the Company, the Company can choose, at its own discretion, to defer the current interest payment and previous deferred interests and related yields to next interest payment date without any limitation on the number of deferred interest payments. The Company believes that such renewable financing instruments do not meet the definition of financial liabilities and are accounted for as other equity instruments subsequent to deduction of related transaction costs from the total issue amount.

- (a) The company entered into a renewable financing contract with Generali China Asset Management Co., Ltd on 14 May 2019, totaling RMB600,000,000. The renewable financing instrument does not include the contractual obligation to deliver cash or other financial assets to other parties, or to exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the company treats the renewable financing instruments as other equity instruments.

46. Capital reserve

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	30 June 2019
Share premium	22,467,142	–	–	22,467,142
Other capital reserve	25,534	22,317	2,024	45,827
Total	22,492,676	22,317	2,024	22,512,969

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Other comprehensive income

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Amount for the current period						30 June 2019
		Other comprehensive income before tax for the period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for current period	Less: Income tax expenses	Attributable to owners of the Company, net of income tax	Attributable to non-controlling interests, net of income tax	Less: Retained earnings transferred from other comprehensive income	
I. Items that will not be reclassified subsequently to profit or loss	(318,897)	26,785	-	5,736	19,427	1,622	16,685	(316,155)
1. Remeasurement of defined benefit obligations	(313,038)	450	-	27	410	13	-	(312,628)
2. Fair value change of other equity instrument investment	(5,859)	26,335	-	5,709	19,017	1,609	16,685	(3,527)
II. Items that may be reclassified subsequently to profit or loss	106,755	(23,645)	-	(1,123)	(21,348)	(2,297)	-	85,407
1. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method	(550)	(30)	-	-	(27)	(3)	-	(577)
2. Changes in fair value of receivables at FVTOCI	-	(48,242)	-	-	(43,335)	(4,907)	-	(43,335)
3. Exchange differences on translating foreign operations	107,305	24,627	-	-	22,014	2,613	-	129,319
Total other comprehensive income	(212,142)	3,140	-	5,736	(1,921)	(675)	16,685	(230,748)

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Special reserve

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	30 June 2019
Production safety fee	12,550	2,209,732	2,209,732	12,550
Total	12,550	2,209,732	2,209,732	12,550

49. Surplus reserve

Applicable Not Applicable

All amounts in RMB'000

Items	31 December 2018	Increase	Decrease	30 June 2019
Statutory surplus reserve	1,455,419	–	–	1,455,419
Total	1,455,419	–	–	1,455,419

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Retained earnings

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
31 December 2018	23,546,950	19,864,694
Add: Net profit attributable to shareholders of the Company for the current period	3,156,882	2,907,197
Other comprehensive income carried forward to retained earnings	16,685	(11,515)
Less: Declaration of dividends on ordinary shares (a)	1,450,653	1,409,206
Declaration of dividends on perpetual bonds (c)	178,735	453,886
30 June 2019 (b)(c)	25,091,129	20,897,284

- (a) In accordance with the resolution at the 2018 annual general meeting of shareholders on 26 June 2019, a final cash dividend of RMB0.70 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,450,653,000. As at 30 August 2019, these dividends had been paid.
- (b) As at 30 June 2019, retained earnings of the Group contained statutory surplus reserve of subsidiaries of the Company amounting to RMB11,421,725,000 (as at 31 December 2018: RMB11,421,725,000).
- (c) For the current period, the dividends on perpetual bond amounted to RMB178,735,000 (for the period ended 30 June 2018: RMB453,886,000). As at 30 June 2019, retained earnings contained no interests belong to the perpetual bond holders (as at 31 December 2018: nil).

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Operating revenue and operating costs

(1) Operating revenue and operating costs

Applicable Not Applicable

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	158,593,804	141,310,839	125,663,129	110,403,471
Other business	423,575	212,653	449,444	237,628
Total	159,017,379	141,523,492	126,112,573	110,641,099

(2) The segment information of operating revenue and operating costs for the period ended 30 June 2019 is set out in Note XV 1.

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

The total amount of operating revenue from the top five largest customers of the Group is RMB7,710,835,000 (for the period ended 30 June 2018: RMB7,861,305,000), accounting for 4.85% of the total operating revenue of the Group (for the period ended 30 June 2018: 6.23%).

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	2,435,988	1.53
Party 2	2,119,739	1.33
Party 3	1,195,955	0.76
Party 4	1,029,802	0.65
Party 5	929,351	0.58
Total	7,710,835	4.85

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Operating revenue and operating costs (Continued)

- (4) The engineering contracting services provided by the Group generally constitutes a single performance obligation as a whole and is performed over time. As at 30 June 2019, some of the Group's engineering contracting service contracts are still in the process of performance, the transaction price allocated to the outstanding (or partially unperformed) performance obligations is related to the performance progress of each service contract, and will be recognized as revenue in the future performance period of each contract based on the performance progress.

52. Taxes and levies

- Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
City construction and maintenance tax	136,750	143,058
Education surcharges	65,112	69,471
Land appreciation tax	602,892	575,108
Property tax	104,824	99,265
Land use tax	64,473	69,703
Stamp duty	77,613	69,041
Others	139,474	165,052
Total	1,191,138	1,190,698

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Selling expenses

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	3,463	2,684
Employee compensation costs	449,862	358,864
Depreciation expenses of fixed assets	8,480	8,951
Travelling expenses	92,643	89,052
Office expenses	72,895	59,753
Transportation expenses	123,829	115,770
Advertising and sales service expenses	202,001	121,962
Others	77,795	73,449
Total	1,030,968	830,485

54. Administrative expenses

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,698,558	2,410,905
Depreciation expenses of fixed assets	244,523	238,290
Travelling expenses	163,002	152,285
Office expenses	185,948	187,422
Lease rentals	46,411	67,318
Repairs and maintenance expenses	62,180	78,991
Amortization of intangible assets	79,743	85,135
Professional service fees	124,214	112,271
Others	543,395	494,342
Total	4,147,974	3,826,959

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Research and development expenditure

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Research and development material expenditure	2,256,397	708,934
Employee compensation costs	1,168,799	655,692
Depreciation expenses of fixed assets	65,672	39,702
Amortization of intangible assets	7,146	6,808
Others	218,803	36,731
Total	3,716,817	1,447,867

56. Financial expenses

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	3,210,764	2,791,726
Less: Capitalized interests	(824,706)	(837,797)
Less: Interest income	(1,149,521)	(1,009,496)
Exchange losses	52,737	210,785
Bank charges	272,285	151,210
Interest expenses on lease liabilities	10,526	--
Others	111,723	130,296
Total	1,683,808	1,436,724

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Other income

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Related to assets/income
Tax returns	39,692	49,827	Related to income
Research subsidy	5,155	3,648	Related to assets/income
Others	31,250	19,465	Related to assets/income
Total	76,097	72,940	/

58. Investment (losses) income

Applicable Not Applicable

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	(41,200)	(51,073)
Investment income on disposal of subsidiaries and long-term equity investments	147	100,258
Investment income on disposal of financial assets held-for-trading	17,566	9,132
Investment income from disposal of other non-current financial assets	17,898	–
Investment income from disposal of derivative financial instruments	6,513	–
Investment loss from disposal of receivables at FVTOCI	(21,268)	(7,574)
Investment income from holding investment in other equity instrument	3,839	5,233
Investment income from holding other non-current financial assets	66,799	34,001
Losses from derecognition of financial assets at amortized cost (Note)	(249,984)	(28,441)
Others	1,353	1,172
Total	(198,337)	62,708

Note: For the current period, the Group's investment losses due to the transfer of bank acceptance bills and accounts receivable measured by amortized cost to financial institutions in the form of discount, non-recourse protection factoring and asset securitization were RMB249,984,000 (for the period ended 30 June 2018: RMB28,441,000).

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. (Losses) gains from changes in fair values

Applicable Not Applicable

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 held for trading	100	8,189
Losses arising on changes in fair value of derivative financial assets	(2,365)	–
Losses arising on changes in fair value of derivative financial liabilities	(2,615)	–
Gains arising on changes in fair value of other non-current financial assets	1,169	–
Total	(3,711)	8,189

60. Impairment losses of credit

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Credit losses of bills receivable (Note VII 3(4))	1,699	–
Credit losses on accounts receivable (Note VII 4(3))	54,760	(717,557)
Credit losses on other receivables (Note VII 7(4)(b))	(674,439)	(263,580)
Impairment losses of contract assets (Note VII 9(2))	2,143	(50,073)
Credit losses on long-term receivables (Note VII 12(2))	(148,683)	–
Others	–	(7,800)
Total	(764,520)	(1,039,010)

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Impairment losses of assets

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Impairment of inventories (Note VII 8(2))	(23,307)	(210,851)
II. Impairment of long-term equity investment (Note VII 13)	–	(146,170)
III. Impairment of fixed assets (Note VII 17(1))	(16)	(280,576)
IV. Impairment of construction in progress (Note VII 18(2)(c))	(5,564)	(137)
V. Impairment of intangible assets (Note VII 20)	–	(332,921)
VI. Impairment of goodwill (Note VII 21(2))	(83)	(91)
Total	(28,970)	(970,746)

62. Gains on disposal of assets

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Gains on disposal of fixed assets	20,481	32,964
Gains on disposal of intangible assets	79	3,980
Total	20,560	36,944

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. Non-operating income

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Income from penalty	6,166	43,729	6,166
Government grants irrelevant to ordinary courses	32,289	48,204	32,289
Unpayable balances	26,442	31,580	26,442
Others	38,362	80,275	38,362
Total	103,259	203,788	103,259

64. Non-operating expenses

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Fines and surcharges for overdue payments	12,660	17,345	12,660
Compensation and default payments	16,463	16,430	16,463
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	7,140	394,463	7,140
Others	9,108	21,668	9,108
Total	45,371	449,906	45,371

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Income tax expenses

(1) Income tax expenses

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Current year tax expenses	1,235,086	1,388,831
Deferred tax expenses	(131,155)	(224,151)
Total	1,103,931	1,164,680

(2) Reconciliation of income tax expenses to the accounting profit

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Total profit	4,882,189	4,663,648
Income tax expenses calculated at the statutory tax rate (25%)	1,220,547	1,165,912
Effect of difference between applicable tax rate and statutory tax rate	(346,042)	(357,361)
Income not subject to tax	(69,468)	(111,449)
Expenses not deductible for tax purposes	98,899	70,592
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(58,633)	(277,122)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	327,292	676,222
Others	(68,664)	(2,114)
Income tax expense	1,103,931	1,164,680

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

65. Income tax expenses (Continued)

(2) Reconciliation of income tax expenses to the accounting profit (Continued)

Applicable Not Applicable

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.

66. Other comprehensive income

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in re-measurement of defined benefit obligations	450	(133,654)
Less: Income tax effects on changes in re-measurement of defined benefit obligations	27	(8,277)
Subtotal	423	(125,377)
2. Fair value change of investments in other equity instruments	26,335	(114,754)
Less: Income tax effects arising from fair value change of investments in other equity instruments	5,709	(24,426)
Subtotal	20,626	(90,328)
(II) Other comprehensive income that may be reclassified subsequently to profit or loss		
1. Other comprehensive income that may be included to profit or loss under equity method	(30)	26
Less: Effect of income tax incurred by other comprehensive income under equity method	—	—
Subtotal	(30)	26
2. Changes in fair value of receivables at FVTOCI	(48,242)	—
Less: Effect of changes in fair value of receivables at FVTOCI on income tax	—	—
Subtotal	(48,242)	—
3. Exchange differences on translating foreign operations	24,627	44,124
Total	(2,596)	(171,555)

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Notes to items in the cash flow statements

(1) Other cash receipts relating to operating activities

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Receipts of deposits and guarantee funds	1,184,378	647,028
Interest income	340,424	372,989
Government grants received	224,471	223,264
Others	282,332	119,465
Total	2,031,605	1,362,746

(2) Other cash payments relating to operating activities

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Payments of deposits and guarantee funds	3,050,176	5,127,329
Research and development expenses	2,474,905	745,591
Payments for retirement benefits	205,917	240,602
Travelling expenses	255,645	241,337
Office expenses	258,843	247,175
Utility expenses	496,102	525,532
Repair and maintenance expenses	64,600	96,508
Advertising and promotion expenses	402,385	309,617
Settlements for payable	301,502	233,896
Advances and others	1,137,749	1,649,014
Total	8,647,824	9,416,601

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Notes to items in the cash flow statements (Continued)

(3) Other cash receipts relating to investing activities

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest income from loans	778,879	446,527
Net cash receipts from acquisition of subsidiaries	-	622,243
Total	778,879	1,068,770

(4) Other cash payments relating to investing activities

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Providing loans to related parties	1,966,634	558,670
Total	1,966,634	558,670

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Notes to items in the cash flow statements (Continued)

(5) Other cash payments relating to financing activities

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Increase in restricted deposits	641,748	526,670
Cash outflows relating to lease	250,263	–
Transactions with minority shareholders	43,419	18,212
Finance lease payments	–	150,414
Total	935,430	695,296

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Supplementary information of the cash flow statements

(1) Supplementary information of the cash flow statements

Applicable Not Applicable

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	3,778,258	3,498,968
Add: Provision for impairment losses of assets and credit losses	793,490	2,009,756
Depreciation of fixed assets and right-of-use assets, and amortization of investment properties	1,367,870	1,245,630
Amortization of intangible assets	242,442	227,575
Amortization of long-term prepayments	28,925	34,889
Gains on disposal of fixed assets, intangible assets and other long-term assets	(20,560)	(36,944)
The excess of the fair value of identifiable net assets acquired over the cost of combination	—	(1,455)
Losses on written-off of fixed assets	3,142	4,248
Losses (gains) from changes in fair value	3,711	(8,189)
Financial expenses	1,670,442	1,725,761
Investment income	(51,647)	(13,728)
Increase in deferred tax assets	(89,134)	(222,084)
Decrease in deferred tax liabilities	(42,020)	(2,067)
Increase in inventories	(610,017)	(5,485,382)
Increase in contract assets	(7,968,728)	(6,262,379)
(Decrease) increase in contract liabilities	(3,742,331)	5,377,995
Increase in receivables from operating activities	(5,946,956)	(1,356,661)
Increase (decrease) in payables from operating activities	5,351,086	(8,842,525)
Net cash flows from operating activities	(5,232,028)	(8,106,592)
2. Significant non-cash investing and financing activities:		
None		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	26,417,532	38,767,936
Less: Opening balance of cash	33,151,002	36,464,134
Add: Closing balance of cash equivalents	—	—
Less: Opening balance of cash equivalents	—	—
Net (decrease) increase in cash and cash equivalents	(6,733,470)	2,303,802

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

(2) The composition of cash and cash equivalents

All amounts in RMB'000

Items	30 June 2019	31 December 2018
I. Cash	26,417,532	33,151,002
Including: Cash on hand	21,163	18,910
Bank deposits without restriction	24,634,420	31,202,801
Other cash and bank balances without restriction	1,761,949	1,929,291
II. Cash equivalents	–	–
III. Closing balance of cash and cash equivalents	26,417,532	33,151,002
Including: Cash and cash equivalents of the Company or within the Group with restriction	–	–

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Assets with title restrictions

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	Reasons
Cash and bank balances	11,968,048	Freeze/Control
Bills receivable	2,751,279	Pledge
Bills receivable	518,662	Endorsed or discounted
Accounts receivable	3,502,713	Pledge
Receivables at FVTOCI	173,220	Pledge
Inventories	7,029,976	Mortgage
Investment properties	339,233	Mortgage
Fixed assets	555,112	Mortgage
Fixed assets	170,913	Others-Freeze
Intangible assets	740,814	Mortgage
Intangible assets	83,495	Others-Freeze
Total	27,833,465	/

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

70. Foreign currencies denominated items

(1) Foreign currencies denominated items

All amounts in RMB'000

Items	Foreign currency at 30 June 2019	Exchange rate	RMB at 30 June 2019
Cash and bank balances			4,973,516
Including: USD	469,906	6.8747	3,230,464
EUR	14,486	7.8170	113,236
AUD	51,968	4.8156	250,258
HKD	53,825	0.8797	47,350
RMB	43,568	1.0000	43,568
Others	/	/	1,288,640
Accounts receivable			1,291,161
Including: USD	61,059	6.8747	419,760
AUD	1,000	4.8156	4,815
Others	/	/	866,586
Other receivables			3,809,686
Including: USD	424,440	6.8747	2,917,900
AUD	129,275	4.8156	622,538
RMB	58,034	1.0000	58,034
Others	/	/	211,214
Short-term borrowings			2,099,542
Including: USD	270,000	6.8747	1,856,169
Others	/	/	243,373
Accounts payable			263,099
Including: USD	3,762	6.8747	25,864
EUR	163	7.8170	1,275
AUD	565	4.8156	2,722
RMB	9,725	1.0000	9,725
Others	/	/	223,513
Other payables			7,147,013
Including: USD	736,955	6.8747	5,066,344
AUD	39,096	4.8156	188,272
RMB	273,938	1.0000	273,938
Others	/	/	1,618,459
Long-term borrowings			1,856,169
Including: USD	270,000	6.8747	1,856,169

Financial Statements and Review Report

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

70. Foreign currencies denominated items (Continued)

(2) Notes for the foreign operations

Applicable Not Applicable

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, China	US Dollar	
MCC Ramu NiCo Ltd.	Papua New Guinea	US Dollar	

The functional currencies of the Group's major foreign operations have not changed during the reporting period.

71. Government grants

(1) Basic information of Government grants

Applicable Not Applicable

All amounts in RMB'000

Government grants	Category	The amount received for the current period	The listed items	The amount recognized in profit or loss
Compensation for construction site requisition	Related to assets	42,226	Deferred income/ other income	211
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Related to income	35,538	Deferred income/ administrative expenses	11,806
Pension expenditure to retirees allocated from the Ministry of Science and Technology	Related to income	8,483	Non-operating income	8,483
Tax refund from Baoshan Luodian Development Zone	Related to income	5,000	Other income	5,000
Application technology R&D funds for electronic project to strengthen industrial development	Related to assets	3,960	Deferred income	-
Technology Reform Funds from Economic Information Bureau, Wuxi Xishan District	Related to assets	3,860	Deferred income	-
Refund of property tax	Related to income	3,439	Other income	3,439
Government subsidy for environmental tax	Related to income	3,352	Other income	3,352

VII. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Government grants (Continued)

(1) Basic information of Government grants (Continued)

Government grants	Category	The amount received for the current period	The listed items	The amount recognized in profit or loss
Government grant to "zombie enterprises"	Related to income	3,220	administrative expenses	3,220
Central specialized funds for promoting the quality of modern vocational education	Related to assets	3,000	Deferred income	-
Others	Related to assets/ Related to income	112,393	Deferred income/ Operating costs/ Administrative expenses/Other income/Non-operating income/ Financial expenses/ R&D Expenses	139,723
Total	/	224,471	/	175,234

(2) During the reporting period, the Group has no returned government grants.

VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

Applicable Not Applicable

For this reporting period, except for the MCC Urban Investment Holding Co., Ltd. which was newly established through investments, there was no other significant change of the scope of the consolidation.

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) The constitution of the Group

Details of subsidiaries of the Group:

Applicable Not Applicable

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China	Anshan	EPC	87.81	-	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	China	Anshan	EPC	91.26	-	Invested by shareholders
China MCC 3 Group Co., Ltd.	China	Anshan	Engineering contracting	100.00	-	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	China	Shenyang	Investigation, design	100.00	-	Invested by shareholders
MCC Overseas Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
MCC Communication Construction Group Co., Ltd.	China	Beijing	Infrastructure contractor	100.00	-	Invested by shareholders
MCC International Incorporation Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders
Ramu NiCo Management (MCC) Ltd.	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	100.00	-	Invested by shareholders
MCC Finance Corporation Ltd.	China	Beijing	Finance	86.13	12.49	Invested by shareholders
MCC Tongsin Resources Ltd.	Pakistan	British Virgin Islands	Resource development	100.00	-	Invested by shareholders
MCC-JJJ Mining Development Company Limited	China	Beijing	Resource development	67.02	-	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	China	Beijing	EPC	88.89	-	Invested by shareholders
MCC Real Estate Group Co., Ltd.	China	Beijing	Property development	100.00	-	Invested by shareholders
China 13th Metallurgical Construction Corporation	China	Taiyuan	Engineering contracting	100.00	-	Invested by shareholders
MCC TianGong Group Corporation Limited	China	Tianjin	Engineering contracting	98.53	-	Invested by shareholders
China 22MCC Group Co., Ltd.	China	Tangshan	Engineering contracting	100.00	-	Invested by shareholders
China ENFI Engineering Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
China Second Metallurgical Group Corporation Limited	China	Baotou	Engineering contracting	100.00	-	Invested by shareholders
Central Research Institute of Building and Construction Co., Ltd.	China	Beijing	EPC	100.00	-	Invested by shareholders
China Huaye Group Co., Ltd.	China	Beijing	Engineering contracting	100.00	-	Invested by shareholders

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	China	Beijing	EPC	100.00	–	Invested by shareholders
CISDI Group Co., Ltd.	China	Chongqing	Design, service	100.00	–	Invested by shareholders
China MCC 5 Group Co., Ltd.	China	Chengdu	Engineering contracting	98.58	–	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	China	Chongqing	Engineering contracting	100.00	–	Invested by shareholders
China MCC 19 Group Co., Ltd.	China	Panzhuhua	Engineering contracting	100.00	–	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	China	Shanghai	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	China	Shanghai	Engineering contracting	69.00	–	Invested by shareholders
Shanghai Baoye Group Co., Ltd.	China	Shanghai	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	China	Ma'anshan	EPC	85.10	–	Invested by shareholders
China MCC 17 Group Co., Ltd.	China	Ma'anshan	Engineering contracting	72.39	–	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	China	Shanghai	Trading	54.58	40.99	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	China	Wuhan	EPC	83.08	–	Invested by shareholders
China First Metallurgical Group Co., Ltd.	China	Wuhan	Engineering contracting	93.07	–	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	China	Changsha	EPC	92.61	–	Invested by shareholders

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Name of subsidiary	Place of business	Place of establishment/ incorporation	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
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 (i)/(ii)	China	Hong Kong, China	Others	100.00	-	Established through investments
MCC Financial Leasing Co., Ltd.	China	Zhuhai	Finance lease	51.00	49.00	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	China	Hohhot	Engineering contracting	100.00	-	Established through investments
MCC South China Construction Investment Co., Ltd.	China	Shenzhen	Engineering contracting	51.00	-	Established through investments
MCC Rail Transit Co., Ltd.	China	Langfang	Engineering contracting	100.00	-	Established through investments
MCC Zhongyuan Construction Investment Co., Ltd.	China	Zhengzhou	Engineering contracting	100.00	-	Established through investments
MCC Integrated Pipe Network Technology & Development Co., Ltd.	China	Baoding	Project contracting, Integrated pipe network technology development, etc.	100.00	-	Established through investments
MCC Vietnam Engineering Technology Co., Ltd.	Vietnam	Vietnam	Engineering contracting	100.00	-	Established through investments
MCC (Hainan) Investment Development Co., Ltd.	China	Hainan	Engineering contracting	60.00	37.23	Established through investments
MCC Urban Investment Holding Co., Ltd.	China	Guangdong	Engineering contracting	60.00	-	Established through investments

(i) At 30 June 2019, except for the Company and MCC Holding (Hong Kong) Corporation Limited (the "MCC Hong Kong"), other subsidiaries have not issued any bond. None of the subsidiaries of the Company have issued share capital.

(ii) MCC Hong Kong, one of the Company's subsidiary, issued overseas perpetual bonds in 2018. The amounts received after deducting relative transaction costs are recognized in other equity instruments and presented under the headline of minority interests in the consolidated financial statements. At 30 June 2019, the closing balance of this minority interest is RMB3,296,390,000.

(a) *There is no difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current period.*

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) *The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights*

(i) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Qingdao Jinze Huadi Real Estate Development Co., Ltd.	50.00	According to the agreement among shareholders, the Group can control the investee.
Beijing ENFI Environmental Protection Co., Ltd.	49.15	Signing a concerted action agreement with the other shareholder, the Group can control the investee.
Beijing Jinwei Soldering Material Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Shenzhen Qianhai Public Safety Science Research Institute Co., Ltd.	45.00	According to the rules as agreed in the articles of association, the Group can control the investee.
Jingjinji MCC Mingxin Infrastructure Construction Co., Ltd.	30.00	According to the agreement among shareholders, the Group can control the investee
Wuhan Zhongyi Communication Construction Co., Ltd.	25.10	According to the agreement of shareholding entrustment, the Group can control the investee.

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Fuzhou MCC Infrastructure Investment Co., Ltd.	90.00	The other shareholder has a veto right, recognized as a joint venture.
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co.,Ltd.	90.00	The other shareholder can determine the investee's related activities, recognized as an associate.
Wuhan MCC Xianglongchuan River Construction Management Co., Ltd.	80.23	Each shareholder has a veto right, recognized as a joint venture.
Tianjin Mingjin MCC Real Estate Co., Ltd.	80.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Zhengzhou Baoye Zhicheng Pipe Network Construction and Management Co., Ltd.	80.00	Each shareholder has a veto right, recognized as a joint venture.
Zhuzhou Beihuan Dafeng Municipal Construction Co., Ltd.	80.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	70.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture. (Note IX 2(1))
Xuzhou MCC Chengdong Express Way Co., Ltd.	70.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) *The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)*

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	68.83	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Ba Zhong De Rong Construction Engineering Management Co., Ltd.	68.82	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Wuzhong City Underground Integrated Pipe Network Co.,Ltd.	66.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Anshan MCC Jiantou Xinggang Development Co., Ltd.	65.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Anshan MCC Jiantou Gang Cheng Development Co., Ltd.	65.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Yinchuan Binhe New Area Water Center Management Co., Ltd.	60.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Beijing New Century Restaurant Co., Ltd.	60.00	Each shareholder has a veto right, recognized as a joint venture.
MCC real estate group Xianghe Mingxin Real Estate Development Co., Ltd.	60.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Xing Long County MCC Minglu Real Estate Development Co., Ltd.	60.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Guizhou Ziwang Highway Construction Co., Ltd.	59.96	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture. (Note IX 2(1))
Guizhou Sanli Highway Construction Co., Ltd.	59.95	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture. (Note IX 2(1))
Guizhou Sanshi Highway Construction Co., Ltd.	59.90	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture. (Note IX 2(1))
Ningcheng County HongDa Mining Co., Ltd.	54.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	51.00	The other shareholder can determine the investee's related activities, recognized as an associate.
Zhuhai MCC Huafumingwan Real Estate Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Zhongye Tap Water (Zhumadian) Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Lahore Xingzhong Renewable Energy Co. Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

(b) The grounds for controlling the investees of which the Group is holding half or less than half of the voting rights, and the grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

(ii) The grounds for not controlling the investees of which the Group is holding more than half of the voting rights (Continued)

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	51.00	Act in concert with the other shareholder to determine the investee's related activities, recognized as a joint venture.
Zhuhai MCC Jianxin Investment Management Partnership (LP)	50.99	The other shareholder can determine the investee's related activities, recognized as an associate.

(2) Material non-controlling interests

Applicable Not Applicable

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
WISDRI Engineering & Research Incorporation Limited	16.92	65,363	344	1,703,233
China First Metallurgical Group Co., Ltd.	6.93	20,536	-	1,583,399
China MCC 20 Group Co., Ltd.	31.00	65,030	4,308	1,517,495
China MCC 17 Group Co., Ltd.	27.61	91,029	-	1,174,996
MCC Capital Engineering & Research Incorporation Limited	11.11	26,747	8,750	581,334

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(2) Material non-controlling interests (Continued)

(a) Except for the situation disclosed in Note IX 1(1)(b), there is no significant difference between proportion of ownership interest and proportion of voting power in subsidiaries in the current reporting period.

Applicable Not Applicable

(3) Summarized financial information of subsidiaries with material non-controlling interests

Applicable Not Applicable

All amounts in RMB'000

Company name	30 June 2019						31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
WISDRI Engineering & Research Incorporation Limited	15,096,606	5,150,733	20,247,339	13,238,696	256,941	13,495,637	13,985,118	4,861,734	18,846,852	12,149,148	195,477	12,344,625
China First Metallurgical Group Co., Ltd.	19,494,471	3,688,738	23,183,209	16,675,839	1,350,890	18,026,729	19,047,244	3,689,004	22,736,248	16,238,340	1,587,039	17,825,379
China MCC 20 Group Co., Ltd.	22,370,858	4,124,308	26,495,166	20,949,712	404,369	21,354,081	22,446,461	4,143,198	26,589,659	21,288,685	402,300	21,690,985
China MCC 17 Group Co., Ltd.	17,257,242	2,495,721	19,752,963	14,919,814	589,009	15,508,823	16,171,139	2,173,922	18,345,061	13,896,001	534,562	14,430,563
MCC Capital Engineering & Research Incorporation Limited	12,304,934	3,315,980	15,620,914	11,013,910	186,774	11,200,684	12,126,373	3,203,006	15,329,379	10,836,782	200,368	11,037,150

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
WISDRI Engineering & Research Incorporation Limited	6,927,138	232,645	235,119	(1,277,734)	4,822,592	201,202	198,883	653,246
China First Metallurgical Group Co., Ltd.	10,389,745	265,805	269,658	(119,827)	8,852,956	218,148	217,772	(392,961)
China MCC 20 Group Co., Ltd.	13,846,965	239,496	246,719	(424,517)	8,033,025	203,679	195,074	(245,369)
China MCC 17 Group Co., Ltd.	12,267,883	329,628	329,642	283,674	10,041,832	288,166	286,302	139,232
MCC Capital Engineering & Research Incorporation Limited	7,686,877	146,783	136,751	441,853	5,590,228	112,143	106,176	876,168

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates

Applicable Not Applicable

(1) Details of the Group's material joint ventures and associates

Applicable Not Applicable

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		
				Direct	Indirect	Accounting method
Guizhou Sanli Highway Construction Co., Ltd.	China	Qiannan Buyei and Miao Autonomous Prefecture	Highway investment and development	59.95	-	Equity method
Guizhou Ziwang Highway Construction Co., Ltd.	China	Anshun	Highway investment and development	59.96	-	Equity method
Guizhou Sanshi Highway Construction Co., Ltd.	China	Qiandongnan Miao and Dong Autonomous Prefecture	Highway investment and development	59.90	-	Equity method
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	China	Yinchuan	Construction and operation of comprehensive pipe network	70.00	-	Equity method
Beijing New Century Restaurant Co., Ltd.	China	Beijing	Hotel service	60.00	-	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Equipment manufacturing	50.00	-	Equity method
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	China	Yingkou	Special steel production and equipment manufacturing	48.96	-	Equity method
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	China	Beijing	Investment management	13.88	-	Equity method
Nanjing Ming's Culture Co., Ltd.	China	Nanjing	Cultural transmission	49.18	-	Equity method
Shiyan Baoye Urban Construction Co., Ltd.	China	Shiyan	Municipal road construction and operation	47.98	-	Equity method

The Group has no significant interests in any single joint venture or associate above.

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) *The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence.*

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Hunchun Yilianda Pipe Network Construction Management Co., Ltd.	19.90	Assigned director to the board of directors of the entity
Erlan Haote Xinye Yixin Infrastructure Construction and Operation Co., Ltd.	19.68	Assigned director to the board of directors of the entity
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Assigned director to the board of directors of the entity
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	18.89	Assigned director to the board of directors of the entity
Changsha Happy Ocean Park Co., Ltd.	16.00	Assigned director to the board of directors of the entity
Huixian Yushi Infrastructure Investment Co., Ltd.	16.00	Assigned director to the board of directors of the entity
Kunming MCC Urban Construction Co., Ltd.	15.00	Assigned director to the board of directors of the entity
Jiangxi Shangshu Jiasheng City & Town Construction Development Co., Ltd.	15.00	Assigned director to the board of directors of the entity
Qingyang Longjie Sponge City Construction Management and Operation Co., Ltd.	15.00	Assigned director to the board of directors of the entity
Anyang MCC Pu'an Highway Engineering Co., Ltd.	15.00	Assigned director to the board of directors of the entity
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Assigned director to the board of directors of the entity
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	13.88	Assigned director to the investment committee of the entity
Changchun Runde Construction Project Management Co., Ltd.	13.54	Assigned director to the board of directors of the entity
Changji City Haichang Project Management Co., Ltd.	13.00	Assigned director to the board of directors of the entity

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) *The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)*

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Yuhuan Ganjiang Bingang Industrial City Development Co., Ltd.	12.20	Assigned director to the board of directors of the entity
Shangqiu City Tiangong Engineering Management Co., Ltd.	12.00	Assigned director to the board of directors of the entity
Leshan City Legao Urban Construction Engineering Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanchong Shunjian Urban Construction Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Luxi Huarui Construction Engineering Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jiayang MCC Xiongzhou City Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Cangnan Zhonggong Construction and Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanchong Shunye Investment and Development Co.,Ltd.	10.00	Assigned director to the board of directors of the entity
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) *The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)*

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Jiayang Zhongye Tianshun Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Foshan Jianxin Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Zhangpu Chengye Construction Investment Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Mianyang MCC Three Highway Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Xingtai Runhe Project Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Ya'an Tianshun Kunye Project Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Renqiu MCC Infrastructure Construction Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Jiayang Tianshun Traffic Investment Co., Ltd.	10.00	Assigned director to the board of directors of the entity

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

(a) *The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees, and the grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence. (Continued)*

(i) The grounds for holding less than 20% of the voting rights in the investees but the Group has common control or significant influence over these investees (Continued)

Name of investee	The proportion of voting power (%)	Reason for having significant influence
Meizhou City Meixian MCC Pipe Network Construction Investment and Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Luzhou MCC City Construction Development Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Xiangxi Houyi Tiangong Tourism Artery Road Construction Operation Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd.	10.00	Assigned director to the board of directors of the entity
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	10.00	Assigned director to the board of directors of the entity

(ii) The grounds for holding 20% or more of the voting rights in the investees over which the Group does not have significant influence

Name of investee	The proportion of voting power (%)	Reason for not having significant influence
Tangshan Stainless Steel Co., Ltd.	23.89	The Company did not assign director into the board of directors of the investee, nor involved in the financial and operating decisions or normal operating activities of the investee in any other forms.
Shanghai Clear Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation Jiangsu Heavy Industry Co., Ltd.	20.00	
Shaanxi Sanjin Mining Holdings Co., Ltd.	20.00	

Financial Statements and Review Report

IX. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(2) Summarized financial information of material joint ventures and associates

Applicable Not Applicable

All amounts in RMB'000

	30 June 2019/amount recognized in the current period	31 December 2018/amount recognized in the prior period
Joint ventures:		
Total carrying amount	5,579,989	4,930,847
The Group's share of the following items		
– Net profit	(5,336)	(46,899)
– Other comprehensive income	(27)	6
– Total comprehensive income	(5,363)	(46,893)
Associates:		
Total carrying amount	10,156,066	8,924,008
The Group's share of the following items		
– Net profit	(35,864)	(4,174)
– Other comprehensive income	(3)	20
– Total comprehensive income	(35,867)	(4,154)

(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

Applicable Not Applicable

1. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including short-term borrowings, long-term borrowings, bonds payable and lease liabilities) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet, plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 30 June 2019 and 31 December 2018 are as follows:

All amounts in RMB'000

	30 June 2019	31 December 2018
Total borrowings:		
Short-term borrowings (<i>Note VII 25</i>)	49,148,469	47,973,564
Long-term borrowings (inclusive of those due within one year) (<i>Note VII 36</i>)	39,425,414	36,929,347
Bonds payable (inclusive of those due within one year) (<i>Note VII 37</i>)	8,550,927	9,502,083
Lease liabilities (inclusive of those due within one year) (<i>Note VII 38</i>)	504,642	–
Long term finance lease payables (inclusive of those due within one year)	–	115,894
Less: Cash and cash equivalents (<i>Note VII 68(2)</i>)	26,417,532	33,151,002
Net debt	71,211,920	61,369,886
Shareholders' equity	105,509,329	102,669,444
Total capital	176,721,249	164,039,330
The gearing ratio	40.30%	37.41%

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management

The Group's operating activities expose to a variety of financial risks: market risk (mainly including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

(1) *Market risk*

(a) *Foreign exchange risks*

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currencies denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising. The management is of the view that the reasonable fluctuation of the exchange rate in the near future will not have a significant impact on the operating results of the Group. The Group currently does not have a foreign exchange hedging policy.

Details of the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) as at 30 June 2019 are set out in Note VII 70.

Mainly influenced by the exchange rate of RMB against USD for the variety of foreign currencies of financial assets and financial liabilities, as at 30 June 2019, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group the six months period ended 30 June 2019 would have been approximately RMB46,112,000 higher/lower (as at 31 December 2018: RMB9,185,000 lower/higher).

(b) *Interest rate risk*

- (i) The interest bearing debts at fixed rates expose the Group to fair value interest-rate risk, relating to bank borrowings at fixed rates and bonds payable at fixed rates, etc. The differences between the fair value and the carrying amount of the above fixed rate financial instruments are set out in Note XI 8.

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(1) Market risk (Continued)

(b) Interest rate risk (Continued)

- (ii) The interest bearing debts at floating rates expose the Group to cash flow interest-rate risk. The Group chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. As at 30 June 2019, short-term borrowings of the Group were amounting to RMB49,148,469,000 (as at 31 December 2018: RMB47,973,564,000); Long-term interest bearing debts at floating rates due within one year were amounting to RMB3,566,994,000 (as at 31 December 2018: RMB3,616,426,000); long-term interest bearing debts at floating rates due over one year were amounting to RMB11,745,261,000 (as at 31 December 2018: RMB14,277,926,000); Long-term interest bearing debts at fixed rates due within one year were amounting to RMB15,281,327,000 (as at 31 December 2018: RMB10,720,886,000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB17,887,401,000 (as at 31 December 2018: RMB18,206,906,000) (Notes VII 25, 34, 36, 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 for the period ended 30 June 2018, 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 would have been RMB203,917,000 lower/higher (for the period ended 30 June 2018: approximately RMB255,560,000).

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 would have been RMB28,621,000 lower/higher (for the period ended 30 June 2018: approximately RMB34,831,000).

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(2) Credit risk

As at 30 June 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from: the carrying amount of the respective recognized bank deposits, bills receivable and accounts receivable, contract assets, other receivables and long-term receivables in the balance sheet of the Group.

To reduce credit risk, the Group has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

The credit risk on the bank deposits of the Group are limited because they are deposited with national banks and other large and medium listing banks.

In addition, external guarantees incurred by the Group may also result in financial losses. As at 30 June 2019, the Group's external guarantee refers to Note XIII 2(1)(b).

Please refer to Note V10 (2) in respect of the specific methods to assess whether the credit risk has been increased remarkably since initial recognition, the basis to determine whether a credit impairment has happened to the financial assets, the combination methods to divide the financial instruments in a combination as base assessment of anticipated credit risk, and the policies to write down the financial instruments directly. For the changes in the book value and provision for credit losses of bills receivable, refer to note VII 3(4), changes in the book value and provision for credit losses of accounts receivables, refer to note VII 4(3), changes in the book value and provision for credit losses of receivables at FVTOCI, refer to note VII 5(2), changes in the book value and provision for credit losses of other receivables, refer to note VII 7(4) (b), changes in the book value and provision for credit losses of long-term receivables, refer to note VII 12(2), and for the changes in the book value and provision for credit losses of the contract assets, refer to Note VII9(2).

The Group's risk exposure is distributed among multiple contract parties and multiple customers, so the Group has no significant credit concentration risk. As of June 30 2019, the top five accounts receivable and other receivables of the Group's balances owed by the arrears is shown in Note VII 4(4) and Note VII 7(4)(d).

(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.

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(3) Liquidity risk (Continued)

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 30 June 2019 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	38,385,580	–	–	–	38,385,580
Bills receivable	15,253,060	–	–	–	15,253,060
Accounts receivable	79,559,051	–	–	–	79,559,051
Receivables at FVTOCI	5,770,876	–	–	–	5,770,876
Other receivables	68,789,484	–	–	–	68,789,484
Non-current assets within a year	3,377,689	–	–	–	3,377,689
Long-term receivables	55,222	10,294,366	9,739,658	4,762,471	24,851,717
Total	211,190,962	10,294,366	9,739,658	4,762,471	235,987,457
Financial liabilities –					
Short-term borrowings	50,215,316	–	–	–	50,215,316
Derivative financial liabilities	586	1,956	73	–	2,615
Bills payable	29,887,558	–	–	–	29,887,558
Accounts payable	118,549,687	–	–	–	118,549,687
Other payables	30,240,877	–	–	–	30,240,877
Non-current liabilities within a year	19,449,943	–	–	–	19,449,943
Long-term borrowings	1,032,164	13,788,166	9,544,004	5,904,736	30,269,070
Bonds payable	81,401	81,401	1,730,803	–	1,893,605
Lease liabilities	–	161,769	166,777	32,592	361,138
Long-term payables	18,659	386,378	7,257	463,007	875,301
Total	249,476,191	14,419,670	11,448,914	6,400,335	281,745,110

(4) Transfer of financial assets

Details are set out in Note VII 3(3), Note VII 4(5) and Note VII 5(3)

Financial Statements and Review Report

XI. FAIR VALUE MEASUREMENTS

1. Fair value of the Group's financial assets and financial liabilities that are measured at fair value at the end of the period

All amounts in RMB'000

Items	Fair value at 30 June 2019			Total
	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss	1,039	4,315,573	109,496	4,426,108
1. Held-for-trading financial assets	1,039	–	–	1,039
(1) Monetary fund	–	–	–	–
(2) Investment in equity instruments	1,039	–	–	1,039
2. Other non-current financial assets	–	4,315,573	109,496	4,425,069
(1) Investment in equity instruments	–	–	109,496	109,496
(2) Investment in unquoted fund product	–	4,315,573	–	4,315,573
(II) Receivables at FVTOCI	–	5,722,634	–	5,722,634
(III) Other equity instruments investment	412,716	–	1,462,445	1,875,161
Total assets that are measured at fair value on a recurring basis	413,755	10,038,207	1,571,941	12,023,903
(IV) Trading financial liabilities	–	2,615	–	2,615
1. Derivative financial liabilities	–	2,615	–	2,615
Total liabilities that are measured at fair value on a recurring basis	–	2,615	–	2,615

2. The basis of market prices determined on level 1 of the fair value hierarchy

Applicable Not Applicable

Fair values of held-for-trading financial assets and non-tradable equity instruments of listed companies regarded as investments in other equity instruments are based on their closing 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

Applicable Not Applicable

	Valuation techniques	Key inputs
Other non-current financial assets-Investment in unquoted fund product	Discounted cash flow method	Average yield rate of similar products of the same term
Derivative financial instruments – foreign exchange options	Discounted cash flow method	The forward rate
Receivables at FVTOCI	Discounted cash flow method	Discounting rate of bank acceptance for the same period

4. Qualitative and quantitative information of valuation techniques and key inputs on level 3 of the fair value hierarchy

Applicable Not Applicable

	Valuation techniques	Key inputs
Other equity instrument investments-Investment in unquoted equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry
Other non-current financial assets- Investment in equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry

Financial Statements and Review Report

XI. FAIR VALUE MEASUREMENTS (CONTINUED)

5. Reconciliation information of the opening balance and the closing balance on level 3 of the fair value hierarchy

Applicable Not Applicable

All amounts in RMB'000

Item	31 December 2018	Additions for the period	Fair value changes that recognized in other comprehensive income for the period	Disposal for the period	30 June 2019
Other equity instrument investments-Investment in unquoted fund product	1,471,284	750	10,299	(19,888)	1,462,445
Other non-current financial assets- Investment in equity instruments	30,107	79,389	-	-	109,496

6. There was no transfer between any levels of the fair value hierarchy in the reporting period.

Applicable Not Applicable

7. There was no change in the valuation techniques in the reporting period.

XI. FAIR VALUE MEASUREMENTS (CONTINUED)

8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis

Applicable Not Applicable

Bills receivables, accounts receivables, other receivables, long-term receivables, non-current assets due within one year, short-term borrowings, bills payables, accounts payables, other payables, long-term borrowings, bonds payable, long-term payables and partial non-current liabilities due within one year included in the financial assets/liabilities are measured at fair value on a non-recurring basis.

Except for the items listed in the table below, the Group considers that the fair value of the financial assets and liabilities measured at amortized cost method are approximate to their carrying amounts.

All amounts in RMB'000

	Carrying amount as at 30 June 2019	Fair value as at 30 June 2019			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	17,564,927	–	17,930,226	–	17,930,226
1. Long-term borrowings at fixed interest rate	15,904,927	–	16,252,914	–	16,252,914
2. Bonds payable at fixed interest rate	1,660,000	–	1,677,312	–	1,677,312

All amounts in RMB'000

	Carrying amount as at 31 December 2018	Fair value as at 31 December 2018			Total
		Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	
Financial liabilities measured at amortized cost:	18,027,401	–	18,091,020	–	18,091,020
1. Long-term borrowings at fixed interest rate	9,515,310	–	9,517,704	–	9,517,704
2. Bonds payable at fixed interest rate	8,512,091	–	8,573,316	–	8,573,316

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

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS

1. Details of the parent company of the Company

Applicable Not Applicable

All amounts in RMB'000

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering contracting, property development, equipment manufacture, resource development and others	8,538,556	56.18	56.18

As stated in Note III, CMC together with its other subsidiaries other than the Company are the Group's related party.

Related party transactions between the Company and CMC together with its other subsidiaries other than the Company also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

SASAC is the ultimate controlling party of the Group.

2. Subsidiaries of the Company

Applicable Not Applicable

Details of the subsidiaries of the Company are set out in Note IX1.

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Principal joint ventures and associates of the Group

Applicable Not Applicable

Details of the principal joint ventures and associates of the Group are set out in Note IX 2.

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:

Applicable Not Applicable

Name of joint ventures and associates	Relationship with the Group
Guizhou Ziwang Highway Construction Co., Ltd.	Joint venture
Guizhou Sanshi Highway Construction Co., Ltd.	Joint venture
Guizhou Sanli Highway Construction Co., Ltd.	Joint venture
Sichuan Guotai High-tech Pipe Network Investment Co., Ltd.	Joint venture
Jianyang MCC Xiongzhou City Development Co., Ltd.	Joint venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint venture
Zhuhai MCC Mingheng Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Minghui Real Estate Co., Ltd.	Joint venture
Meizhou MCC Road Construction and Development Co., Ltd.	Joint venture
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	Joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	Joint venture
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	Joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	Joint venture
Anshan MCC Jiantou Xinggong Development Co., Ltd.	Joint venture
Jiangxi Shangshu Jiasheng City & Town Construction Development Co., Ltd.	Joint venture
Yinchuan Riverfront District Comprehensive Pipe Gallery Management Co., Ltd.	Joint venture
Shenyang Aikang Medical Project Management Co., Ltd.	Joint venture
Meizhou MCC City Construction and Development Co., Ltd.	Joint venture
Xichang Hesheng Urban Construction Project Investment Co., Ltd.	Joint venture
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	Joint venture
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Associate
Ningguo Baoye Urban Construction Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Associate
Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	Associate
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
Chengde MCC Construction and Development Co., Ltd.	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Principal joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Qiqihaer North MCC Real Estate Co., Ltd.	Associate
Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	Associate
Ma'anshan MCC Economic Development Company Ltd.	Associate
Lu'an MCC Project Management Co., Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Chuzhou Culture Creation Construction and Development Co., Ltd.	Associate
Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	Associate
Renqiu MCC Infrastructure Construction Co., Ltd.	Associate
Nanchong Shunjian Urban Construction Management Co., Ltd.	Associate
Shanghai MCC Jiahe Real Estate Co., Ltd.	Associate
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Associate
Panzhuhua MCC Urban Construction Development Co., Ltd.	Associate
Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Sichuan Developing Shuoou Construction Engineering Co., Ltd.	Associate
Jiangsu Rongyu Construction Development Co., Ltd.	Associate
Changzhi Zhonghui Three Pavilion One Garden Construction Co., Ltd.	Associate
Fuzhou Cangshan Zhongmin Sangcheng Water Environment Technology Co., Ltd.	Associate
Fuzhou Jin 'an Zhongmin Sangcheng Water Environment Technology Co., Ltd.	Associate
Puyang Jinhe Construction Engineering Co., Ltd.	Associate
Shiyan Baoye Urban Construction Co., Ltd.	Associate
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	Associate
MCC Suzhou SUMA Construction Development Co., Ltd.	Associate
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	Associate
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	Associate
Binhai County Susheng Transportation Construction Investment Co., Ltd.	Associate
Yangcheng Yun Rui Xiang Construction Investment Co., Ltd.	Associate
Jiayang Tianshun Traffic Investment Co., Ltd.	Associate
Panzhuhua Zhongjian Municipal Infrastructure Management Co., Ltd.	Associate

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Principal joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Xichang Anmin City Construction Investment Co., Ltd.	Associate
Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	Associate
Hangzhou Baoye City Construction Development Co., Ltd.	Associate
Hubei Songwei Tourism Road Construction Management Co., Ltd.	Associate
Quzhou Baoye Sports Construction Operation Co., Ltd.	Associate
Nanjing Zhongkang Construction and Development Co., Ltd.	Associate
Wuhan Hanwei Refining Engineering Co., Ltd.	Associate
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	Associate
Sichuan HangYe Industrial Co., Ltd.	Associate
Chongqing Beimong Project Management Co., Ltd.	Associate

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Other related parties of the Group

Applicable Not Applicable

Other related parties entered into transactions with the Group during the period, or during the prior year with closing balance were as follows, such transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange:

Name of other related parties	Relationship with the Group
MCC Ruimu Ampere Technology Limited	Under common control by CMGC
Subsidiaries of China Minmetals Corporation:	
Beijing China Metallurgical Construction Taxi Company	Under common control by CMC
Beijing Dongxing Metallurgical New - Tech & Development Corp.	Under common control by CMC
Minmetals Steel Wuhan Limited Company	Under common control by CMC
Minmetals Steel Beijing Co., Ltd.	Under common control by CMC
Minmetals Steel Chengdu Co., Ltd.	Under common control by CMC
Minmetals Steel Guangzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Lanzhou Co., Ltd.	Under common control by CMC
Minmetals Steel Qingdao Co., Ltd.	Under common control by CMC
Minmetals Steel Shanghai Co., Ltd.	Under common control by CMC
Minmetals Steel Tianjin Co., Ltd.	Under common control by CMC
Minmetals Steel Xi'an Co., Ltd.	Under common control by CMC
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Under common control by CMC
The 23rd Metallurgical Construction 2nd Engineering Group Co., Ltd. of Minmetals	Under common control by CMC
Minmetals Construction (Yingkou) Hengfu Property Co., Ltd.	Under common control by CMC
Minmetals Yingkou Medium Plate Co., Ltd.	Under common control by CMC
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control by CMC
Zhuzhou Smelter Group Co., Ltd.	Under common control by CMC
Minmetals International Engineering Technology Co., Ltd.	Under common control by CMC
Minmetals Copper (Hunan) Company Limited	Under common control by CMC
Minmetals Steel Shenyang Co., Ltd.	Under common control by CMC
Anshan Minmetals Chentaigou Mining Co., Ltd.	Under common control by CMC
Foshan Kuangsheng Real Estate Development Co., Ltd.	Under common control by CMC
Minmetals Nonferrous Metals Trade Co., Ltd.	Under common control by CMC
Minmetals Securities Co., Ltd.	Under common control by CMC

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

Applicable Not Applicable

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Transactions of companies under common control by CMC (Note):		2,577,592	2,874,904
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	1,035,504	1,242,512
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	246,996	141,943
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods	229,004	266,490
Minmetals International Engineering Technology Co., Ltd.	Purchase of goods and receiving services	228,443	13,870
Minmetals Steel Xi'an Co., Ltd.	Purchase of goods	184,252	112,799
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Purchase of goods	121,470	116,605
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	100,860	241,904
Minmetals Steel Beijing Co., Ltd.	Purchase of goods	70,789	215,061
Minmetals Steel Wuhan Limited Company	Purchase of goods and receiving services	68,538	178,615
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	63,465	49,216
Others	Purchase of goods and receiving services	228,271	295,889
Transactions with joint ventures and associates:		446,611	235,282
Sichuan Developing Shuo Construction Engineering Co., Ltd.	Receiving services	44,154	–
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Purchase of goods	43,676	–
Sichuan Guotai High – tech Pipe Network Investment Co., Ltd.	Purchase of goods	40,382	673
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods and receiving services	36,876	13,463
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods	34,782	12,080
Anshan MCC Jiantou Xinggang Development Co., Ltd.	Purchase of goods	30,508	–
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods and receiving services	27,446	6,193
MCC Rong Xing Building Materials (Chengdu) Co., Ltd.	Purchase of goods	24,331	–
Others	Purchase of goods and Receiving services	164,456	202,873
Total		3,024,203	3,110,186

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

Financial Statements and Review Report

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

Applicable Not Applicable

All amounts in RMB'000

Related parties	Related party transactions	the current period	the prior period
Transactions with companies under common control by MCC (Note):		230,092	418,913
MCC Ruimu Ampere Technology Limited	Sales of goods and providing of service	230,092	418,913
Transactions with companies under common control by CMC (Note):		1,078,362	651,309
Zhuzhou Smelter Group Co., Ltd.	Providing of service	501,056	278,815
Minmetals Yingkou Medium Plate Co., Ltd.	Sales of goods and providing of service	411,249	10,696
Minmetals Copper (Hunan) Company Limited	Providing of service	32,564	3,481
Minmetals Steel Shenyang Co., Ltd.	Sales of goods	23,184	–
Minmetals Construction (Yingkou) Hengfu Property Co., Ltd.	Providing of service	23,157	30,142
Anshan Minmetals Chentaigou Mining Co., Ltd.	Providing of service	19,567	14,049
Foshan Kuangsheng Real Estate Development Co., Ltd.	Providing of service	15,449	–
Others	Sales of goods and providing of service	52,136	314,126

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

(b) Sales of goods and provision of services (Continued)

Applicable Not Applicable

All amounts in RMB'000

Related parties	Related party transactions	the current period	the prior period
Transactions with joint ventures and associates:		23,564,147	18,696,723
Guizhou Ziwang Highway Construction Co., Ltd.	Providing of service	929,351	647,312
Sichuan Developing Shuoou Construction Engineering Co., Ltd.	Providing of service	877,647	–
Lu'an MCC Project Management Co., Ltd.	Providing of service	823,481	65,987
MCC Suzhou SUMA Construction Development Co., Ltd.	Providing of service	695,907	–
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Providing of service	613,879	398,302
Guizhou Sanli Highway Construction Co., Ltd.	Providing of service	600,077	326,477
Ningguo Baoye Urban Construction Co., Ltd.	Providing of service	571,476	115,686
Jiangsu Rongyu Construction Development Co., Ltd.	Providing of service	561,800	175,333
Jianyang MCC Xiongzhou City Development Co., Ltd.	Providing of service	471,795	62,805
Jiangxi Shangshu Jiasheng City&Town Construction Development Co., Ltd.	Providing of service	447,556	25,937
Chuzhou Culture Creation Construction and Development Co., Ltd.	Providing of service	446,584	319,118
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Providing of service	436,884	–
Guizhou Sanshi Highway Construction Co., Ltd.	Providing of service	397,125	285,910
Fuzhou Cangshan Zhongmin Sangcheng Water Environment Technology Co., Ltd.	Providing of service	394,767	–
Fuzhou Jin 'an Zhongmin Sangcheng Water Environment Technology Co., Ltd.	Providing of service	381,451	–
Si County MCC construction Investment Co., Ltd.	Providing of service	362,084	720,905
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	Providing of service	332,880	–
Suining Kaihong Construction Development Co., Ltd.	Providing of service	332,142	290,420
Nanchong Shunjian Urban Construction Management Co., Ltd.	Providing of service	332,040	1,052,797
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Providing of service	325,070	247,909
Changzhi Zhonghui Three Pavilion One Garden Construction Co., Ltd.	Providing of service	311,958	–
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	Providing of service	311,656	54,680
Others	Sales of goods and providing of service	12,606,537	13,907,145
Total		24,872,601	19,766,945

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Lease

(a) As lessor

Applicable Not Applicable

All amounts in RMB'000

Name of lessee	Type of leased assets	Leasing income recognized for the current period	Leasing income recognized for the prior period
Beijing China Metallurgical Construction Taxi Company	Buildings, structures	113	125
Total		113	125

(b) As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Lease liability at 30 June 2019	Increase of historical cost of right-of-use assets for the current period	Leasing expense recognized for the current period
China Metallurgical Group Corporation (Note)	Buildings, structures	95,375	105,815	19,814
China National Foreign Trade Financial & Leasing Co., Ltd. (Note)	Buildings, structures and equipment	35,320	–	2,615
Total		130,695	105,815	22,429

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 guarantee

As at 30 June 2019, the Group has provided no guarantees for its related parties.

(b) Guarantees be granted

Applicable Not Applicable

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 30 June 2019
China Metallurgical Group Corporation	1,531,524	2017-05-05	2020-05-04	No

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Loans from/to related parties

Applicable Not Applicable

All amounts in RMB'000

Related party	Amount	Inception date	Expiration date	Notes
Borrowing				
China Metallurgical Group Corporation (Note)	3,300,000	2019-01-24	2020-01-23	General borrowings
Minmetals Securities Co., Ltd. (Note)	803,000	2019-02-26	Amortization to 2028-02-25	Pledge loan
Total	4,103,000	/	/ /	
Lending				
Guangzhou MCC Mingjie Real Estate Co., Ltd.	180,203	2019-01-02	Without fixed maturity date	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	166,441	2019-01-02	Without fixed maturity date	General borrowings
Zhuhai MCC Mingheng Real Estate Co., Ltd.	961,390	2019-01-04	Without fixed maturity date	General borrowings
Nanjing MCC Minghuai Real Estate Development Co., Ltd.	197,545	2019-01-04	Without fixed maturity date	General borrowings
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	527,055	2019-01-10	Without fixed maturity date	General borrowings
Guangzhou MCC Minghui Real Estate Co., Ltd.	182,154	2019-02-01	Without fixed maturity date	General borrowings
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	104,165	2019-02-01	Without fixed maturity date	General borrowings
Jiangsu Rongyu Construction Development Co., Ltd.	100,000	2019-02-01	2020-01-27	General borrowings
Henan Ruzhou Science and Education Park Investment Development Co., Ltd.	80,000	2019-02-01	2020-01-27	General borrowings
Jiangxi Shangshu Jiasheng City&Town Construction Development Co., Ltd.	88,000	2019-02-02	2020-02-01	General borrowings
Binhai County Susheng Transportation Construction Investment Co., Ltd.	80,000	2019-02-02	2020-02-01	General borrowings
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	139,064	2019-02-28	Without fixed maturity date	General borrowings
Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	69,500	2019-03-20	2020-03-20	General borrowings
Sichuan HangYe Industrial Co., Ltd.	66,220	2019-04-22	2021-04-22	General borrowings
Yangcheng Yun Rui Xiang Construction Investment Co., Ltd.	50,000	2019-06-15	2019-09-15	General borrowings
Panzhuhua MCC Urban Construction Development Co., Ltd.	57,060	2019-06-19	2020-06-19	General borrowings
Others	436,687	/	/ /	
Total	3,485,484	/	/ /	

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

Certain of the loans from/to related parties mentioned above are interest bearing. The interest rates ranged from 3.915% to 10.00%.

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation of key management personnel

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Compensation of key management personnel	3,853	2,738

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(6) Other related party transactions

Applicable Not Applicable

All amounts in RMB'000

Related party transactions	Related parties	Amount for the current period	Amount for the prior period
Interest income	Zhuhai MCC Mingheng Real Estate Co., Ltd.	155,102	119,206
Interest income	Guangzhou MCC Minghui Real Estate Co., Ltd.	115,126	62,183
Interest income	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	102,086	–
Interest income	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	77,246	–
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	59,228	51,290
Interest income	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	51,292	–
Interest income	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	42,608	41,462
Interest income	Qiqihaer North MCC Real Estate Co., Ltd.	25,690	–
Interest income	MCC Ruimu Ampere Technology Limited (Note)	14,092	–
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	13,995	10,724
Interest income	Puyang Jinhe Construction Engineering Co., Ltd.	12,707	–
Interest income	Nanjing Pukou Xingbao Construction Development Co., Ltd.	11,879	17,021
Interest income	Puyang City Jinhe Yuxin Construction Engineering Co., Ltd.	11,654	107
Interest income	Panzhuhua Zhongjian Municipal Infrastructure Management Co., Ltd.	11,639	–
Interest income	Others	74,535	144,534
Total		778,879	446,527
Interest expenses	China Metallurgical Group Corporation (Note)	65,803	11,652
Interest expenses	China National Foreign Trade Financial & Leasing Co., Ltd. (Note)	18,287	3,240
Interest expenses	Minmetals Securities Co., Ltd. (Note)	15,222	–
Total		99,312	14,892

Note: These related party transactions also constitute continuing connected transactions as defined in Chapter 14A of Listing Rules of the Hong Kong Stock Exchange.

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties

(1) Receivables

Applicable Not Applicable

All amounts in RMB'000

Items	Related parties	30 June 2019		31 December 2018	
		Carrying amount	Provision for credit losses	Carrying amount	Provision for credit losses
Accounts receivable	Xi'an MCC Pipe Network Construction and Management Co., Ltd.	533,670	4	280,128	-
Accounts receivable	Si County MCC construction Investment Co., Ltd.	365,803	-	279,269	-
Accounts receivable	Panzhuhua MCC Urban Construction Development Co., Ltd.	291,463	-	57,608	-
Accounts receivable	Suining Kaihong Construction Development Co., Ltd.	234,021	-	145,801	-
Accounts receivable	Changchun Airport MCC Xiangrui Infrastructure Construction Operating Co., Ltd.	208,722	-	187,025	-
Accounts receivable	Ma'anshan MCC Economic Development Company Ltd.	201,602	-	210,566	-
Accounts receivable	Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	190,079	-	210,672	-
Accounts receivable	Ningguo Baoye Urban Construction Co., Ltd.	160,795	6,790	162,535	6,835
Accounts receivable	Nanjing Zhongkang Construction and Development Co., Ltd.	159,380	-	98,606	-
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	146,603	3,504	121,629	2,907
Accounts receivable	Renqiu MCC Infrastructure Construction Co., Ltd.	146,546	6,126	43,179	1,805
Accounts receivable	Jiayang Tianshun Traffic Investment Co., Ltd.	144,732	-	67,956	-
Accounts receivable	Shenyang Aikang Medical Project Management Co., Ltd.	127,946	-	57,996	-
Accounts receivable	Meizhou MCC City Construction and Development Co., Ltd.	109,370	-	89,894	-
Accounts receivable	MCC Ruimu Amperex Technology Limited	106,328	-	168,575	-
Accounts receivable	Others	3,413,101	118,690	4,020,484	105,260
Total		6,540,161	135,114	6,201,923	116,807
Other receivables	Zhuhai MCC Mingheng Real Estate Co., Ltd.	5,013,889	-	4,401,374	-
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	3,122,907	-	3,037,142	-
Other receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	2,961,005	-	2,655,387	-
Other receivables	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	2,588,971	-	2,710,812	-
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	2,359,896	-	2,116,601	-
Other receivables	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	2,357,770	226	2,141,947	-
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,904,461	445,170	1,900,880	445,162
Other receivables	Nanjing MCC Minghuai Real Estate Development Co., Ltd.	1,635,503	-	1,572,812	-
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,601,271	240,191	1,601,271	-
Other receivables	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	1,354,471	-	1,154,698	-
Other receivables	Qiqihaer North MCC Real Estate Co., Ltd.	1,249,200	-	1,221,510	-
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	530,770	-	523,561	-
Other receivables	Others	7,663,854	1,196,960	6,279,228	1,183,788
Total		34,343,968	1,882,547	31,317,223	1,628,950

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

Applicable Not Applicable

All amounts in RMB'000

Items	Related parties	30 June 2019		31 December 2018	
		Carrying amount	Provision for credit losses	Carrying amount	Provision for credit losses
Prepayments	Minmetals Steel Chengdu Co., Ltd.	65,102	–	4,457	–
Prepayments	Minmetals Steel Wuhan Limited Company	59,345	–	13,835	–
Prepayments	Wuhan Hanwei Refining Engineering Co., Ltd.	30,576	–	8,620	–
Prepayments	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	28,049	–	–	–
Prepayments	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	16,552	–	30,374	–
Prepayments	The 23rd Metallurgical Construction 2nd Engineering Group Co., Ltd. of Minmetals	14,731	–	14,569	–
Prepayments	Minmetals Steel Shenyang Co., Ltd.	13,780	–	40	–
Prepayments	Minmetals Steel Shanghai Co., Ltd.	12,889	–	28,810	–
Prepayments	Others	32,567	–	116,005	–
Total		273,591	–	216,710	–
Long-term receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	700,000	–	700,000	–
Long-term receivables	Nanjing Pukou Xingbao Construction Development Co., Ltd.	389,130	14,161	677,250	14,161
Long-term receivables	Suining Kaihong Construction Development Co., Ltd.	364,396	–	246,854	–
Long-term receivables	Yinchuan Riverfront District Comprehensive Pipe Gallery Management Co., Ltd.	250,123	72,973	–	–
Long-term receivables	MCC Ruimu Amperex Technology Limited	229,212	1,914	675,798	7,375
Long-term receivables	Chongqing Beimeng Project Management Limited Liability Company	175,290	–	175,290	–
Long-term receivables	Others	21,652	3,939	105,018	–
Total		2,129,803	92,987	2,580,210	21,536

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables

Applicable Not Applicable

All amounts in RMB'000

Items	Related parties	30 June 2019	31 December 2018
Accounts payable	Minmetals Steel Tianjin Co., Ltd.	176,229	65,516
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	82,018	68,507
Accounts payable	Minmetals Steel Shanghai Co., Ltd.	78,975	26,917
Accounts payable	Minmetals Steel Xi'an Co., Ltd.	67,635	10,335
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	62,046	48,454
Accounts payable	Minmetals Nonferrous Metals Trade Co., Ltd.	60,030	9,137
Accounts payable	Minmetals Steel Qingdao Co., Ltd.	58,156	28,899
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	52,380	90,647
Accounts payable	Minmetals Steel Lanzhou Co., Ltd.	50,687	46,462
Accounts payable	Others	325,432	342,683
Total		1,013,588	737,557
Other payables	China Metallurgical Group Corporation	4,297,775	200,876
Other payables	Chengde MCC Construction and Development Co., Ltd.	245,401	294,728
Other payables	Meizhou MCC Road Construction and Development Co., Ltd.	143,500	150,000
Other payables	Shanghai MCC Jiahe Real Estate Co., Ltd.	131,332	-
Other payables	Minmetals Steel Chengdu Co., Ltd.	121,529	170,401
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	68,469
Other payables	Wuzhong City Underground Integrated Pipe Network Co.,Ltd.	51,954	467
Other payables	Others	285,084	521,848
Total		5,345,044	1,406,789

Financial Statements and Review Report

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

Applicable Not Applicable

All amounts in RMB'000

Items	Related parties	30 June 2019	31 December 2018
Contract liabilities	Xichang Anmin City Construction Investment Co., Ltd.	431,992	-
Contract liabilities	Xichang Hesheng Urban Construction Project Investment Co., Ltd.	362,002	-
Contract liabilities	Shouyang Zhonghe MCC Investment and Construction Co., Ltd.	210,870	220,068
Contract liabilities	Shiyan Baoye Urban Construction Co., Ltd.	207,029	134,759
Contract liabilities	Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	184,329	-
Contract liabilities	Hangzhou Baoye City Construction Development Co., Ltd.	143,365	-
Contract liabilities	Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	135,922	169,943
Contract liabilities	Hubei Songwei Tourism Road Construction Management Co., Ltd.	131,353	-
Contract liabilities	Quzhou Baoye Sports Construction Operation Co., Ltd.	100,000	-
Contract liabilities	Others	840,967	2,298,091
Total		2,747,829	2,822,861
Long-term borrowings	Minmetals Securities Co., Ltd.	659,000	-
Long-term borrowings	China National Foreign Trade Financial & Leasing Co., Ltd.	428,356	724,237
Total		1,087,356	724,237
Non-current liabilities due within one year	China National Foreign Trade Financial & Leasing Co., Ltd.	203,288	69,820
Non-current liabilities due within one year	Minmetals Securities Co., Ltd.	62,157	-
Non-current liabilities due within one year	China Metallurgical Group Corporation	-	78,980
Total		265,445	148,800

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

Applicable Not Applicable

All amounts in RMB'000

Items	Related parties	30 June 2019	31 December 2018
Long-term payables	China Metallurgical Group Corporation	378,980	300,000
Total		378,980	300,000

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

Applicable Not Applicable

(1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Buildings, structures and equipments	23,708,462	23,796,921
Intangible assets	4,287,019	4,287,019
Total	27,995,481	28,083,940

2. Contingencies

(1) Significant contingencies at the balance sheet date

Applicable Not Applicable

(a) Pending litigation or arbitration

As at 30 June 2019, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB2,990,197,000 (as at 31 December 2018: RMB2,792,798,000).

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 2019, management has made provision for pending lawsuits of RMB41,754,000, details of which are set out in Note VII 41.

XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Significant contingencies at the balance sheet date (Continued)

(b) Financial guarantees given to banks

All amounts in RMB'000

Guarantor	Guaranteed amount
Mortgage guarantees (Note)	11,011,297

Note: The Group's subsidiaries in property development sector would provide mortgage guarantees to the property purchasers as it is a common practice in property development industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

(c) Others

In 2012, due to extreme adverse weather condition, including typhoon, the progress of the Sino Iron Project was behind the original planned schedule giving rise to the substantial project cost overrun. The management is of the view that the Group has implemented appropriate procedures to control project costs, shorten project delay and minimize the loss resulted from the project schedule delay. In respect of the compensation clause set out in the construction contract entered into between the Group and the customer regarding the loss to customer resulted from the project delay due to the contractor own reason, the Group has sufficient communications with CITIC Group who is the customer of the Sino Iron Project. Both the Group and CITIC Group believe that the project delay is due to various reasons. A consensus has been reached between the Group and CITIC Group that the second main process production line of the Sino Iron Project should be completed and available for trial run by 15 April 2013. Due to the technical issue of cyclo electric motors, the trial run of the second main process production line of the Sino Iron Project was further delayed. The cyclo electric motors were purchased by a subsidiary of CITIC Group from an overseas supplier. The Group is of the view that the Group has appropriately performed its duty and fulfilled its responsibility in constructing the second main process production line according to the consensus reached with CITIC Group before. The reason for the delay in trial run of the second main process production line of the Sino Iron Project is principally due to quality issue of cyclo electronic motors which were not purchased by the Group.

As of the date of approving these financial statements, the customer has not lodged any compensation claims against the Group in respect of the project delay. The Group has already taken measures in shortening the project delay and has sufficient communications with the customer of this project. The Group is of the view that the risk of being claimed by the customer of this project is remote. Therefore, no provision for loss is recognized in these financial statements.

Financial Statements and Review Report

XIV. EVENTS AFTER THE BALANCE SHEET DATE

Applicable Not Applicable

As at the date of approval of the financial report, the Group has no significant events after the balance sheet date.

XV. OTHER SIGNIFICANT ITEMS

1. Segment information

(1) *Accounting policies of the segment*

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

Applicable Not Applicable

Operating segment is a component of the Group which satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the balance sheet, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

Financial Statements and Review Report

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

Applicable Not Applicable

(a) Segment information for the six months period ended 30 June 2019 and as at 30 June 2019

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	145,074,533	10,385,089	3,728,240	2,268,661	1,682,536	-	(4,121,680)	159,017,379
Including: Revenue from external customers	142,532,068	10,018,578	3,271,630	2,267,474	927,629	-	-	159,017,379
Revenue between segments	2,542,465	366,511	456,610	1,187	754,907	-	(4,121,680)	-
Operating costs	131,450,459	7,514,380	3,303,118	1,834,103	1,481,211	-	(4,059,779)	141,523,492
Including: External costs	128,929,914	7,183,974	2,849,469	1,833,831	726,304	-	-	141,523,492
Costs between segments	2,520,545	330,406	453,649	272	754,907	-	(4,059,779)	-
Operating profit/(loss)	3,088,191	1,822,902	27,691	(200,068)	219,996	(82,865)	(51,546)	4,824,301
Including: Interest income	178,133	677,875	14,609	12,458	575,581	-	(309,135)	1,149,521
Interest expenses	1,296,839	723,315	52,342	256,958	365,739	-	(309,135)	2,386,058
Investment loss from associates and joint ventures	(36,935)	(4,096)	-	-	(22)	-	-	(41,053)
Non-operating income	91,721	1,877	5,592	1,742	2,327	-	-	103,259
Non-operating expenses	29,887	4,090	2,659	1,085	7,650	-	-	45,371
Total profit/(loss)	3,150,025	1,820,689	30,624	(199,411)	214,673	(82,865)	(51,546)	4,882,189
Income tax expense	566,426	452,884	24,493	240	59,888	-	-	1,103,931
Net profit/(loss)	2,583,599	1,367,805	6,131	(199,651)	154,785	(82,865)	(51,546)	3,778,258
Assets	336,356,621	110,681,705	14,512,841	18,831,985	45,673,813	5,272,171	(77,353,781)	453,975,355
Including: Long-term equity investments in associates and joint ventures	14,811,589	911,047	-	69	13,350	-	-	15,736,055
Non-current assets	40,020,627	7,199,145	4,176,503	12,751,917	18,297,871	-	(13,080,890)	69,365,173
Liabilities	274,902,793	85,802,682	11,321,796	20,695,571	31,427,588	104,584	(75,788,988)	348,466,026
Depreciation and amortization expenses	935,393	67,320	135,536	431,580	69,408	-	-	1,639,237
Assets impairment losses and credit impairment losses	(765,482)	3,071	6,043	(26,471)	(10,651)	-	-	(793,490)
Increase in other non-current assets other than long-term equity investments	1,348,262	961,401	36,097	140,412	49,971	-	-	2,536,143

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment (Continued)

(b) Segment information for the six months period ended 30 June 2018 and as at 31 December 2018

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	111,238,227	10,487,722	3,262,958	3,213,019	1,666,228	-	(3,755,581)	126,112,573
Including: Revenue from external customers	108,630,509	10,453,117	2,877,162	3,212,223	939,562	-	-	126,112,573
Revenue between segments	2,607,718	34,605	385,796	796	726,666	-	(3,755,581)	-
Operating costs	100,528,921	7,392,194	2,895,060	2,024,821	1,475,654	-	(3,675,551)	110,641,099
Including: External costs	97,868,955	7,357,494	2,640,840	2,024,821	748,989	-	-	110,641,099
Costs between segments	2,659,966	34,700	254,220	-	726,665	-	(3,675,551)	-
Operating profit	2,454,789	1,855,416	14,710	498,230	235,415	(72,748)	(76,046)	4,909,766
Including: Interest income	410,598	360,298	13,438	6,832	494,194	-	(275,864)	1,009,496
Interest expenses	1,159,433	412,717	59,497	234,340	363,806	-	(275,864)	1,953,929
Investment income/(loss) from associates and joint ventures	(56,495)	20,177	-	-	8	-	-	(36,310)
Non-operating income	147,108	23,558	8,503	23,474	1,145	-	-	203,788
Non-operating expenses	429,908	12,841	7,021	20	116	-	-	449,906
Total profit	2,171,989	1,866,133	16,192	521,684	236,444	(72,748)	(76,046)	4,663,648
Income tax expense	521,311	561,988	32,607	2,109	46,665	-	-	1,164,680
Net profit/(loss)	1,650,678	1,304,145	(16,415)	519,575	189,779	(72,748)	(76,046)	3,498,968
Assets	321,127,986	108,477,535	14,008,040	19,065,275	49,347,710	5,152,432	(78,263,135)	438,915,843
Including: Long-term equity investments in associates and joint ventures	12,945,729	899,925	-	69	9,132	-	-	13,854,855
Non-current assets	38,629,845	6,295,225	4,356,268	13,080,148	14,576,224	-	(10,298,140)	66,639,570
Liabilities	260,953,390	84,202,395	10,879,884	20,861,702	35,455,276	111,387	(76,217,635)	336,246,399
Depreciation and amortization expenses	870,406	42,969	149,275	384,445	60,999	-	-	1,508,094
Assets impairment losses and credit impairment losses	(1,818,891)	(199,850)	15,255	(5,239)	(1,031)	-	-	(2,009,756)
Increase in other non-current assets other than long-term equity investments	816,341	1,752,710	28,536	116,544	8,094	-	-	2,722,225

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

1. Segment information (Continued)

(3) Other notes

Applicable Not Applicable

(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 for the current period	Amount for the prior period
China	146,234,066	115,009,056
Other countries/regions	12,783,313	11,103,517
Total	159,017,379	126,112,573

All amounts in RMB'000

Non-current assets	30 June 2019	31 December 2018
China	58,159,303	55,212,193
Other countries/regions	11,205,870	11,427,377
Total	69,365,173	66,639,570

(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.

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

2. Net current assets and total assets less current liabilities

Applicable Not Applicable

(1) Net current assets

All amounts in RMB'000

	30 June 2019	31 December 2018
Current assets	349,727,262	339,420,571
Less: Current liabilities	312,076,562	296,985,847
Net current assets	37,650,700	42,434,724

(2) Total assets less current liabilities

All amounts in RMB'000

	30 June 2019	31 December 2018
Total Assets	453,975,355	438,915,843
Less: Current liabilities	312,076,562	296,985,847
Total assets less current liabilities	141,898,793	141,929,996

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

3. Earnings per share

Applicable Not Applicable

(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	3,156,882	2,907,197
Including: Net profit from continuing operations	3,156,882	2,907,197
Less: Net profit belong to the perpetual bond holders	420,736	453,886
Net profit for the current period attributable to ordinary shareholders	2,736,146	2,453,311

(2) **For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares**

All amounts in thousand shares

	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the period	20,723,619	20,723,619
Add: Weighted average number of ordinary shares issued during the period	-	-
Less: Weighted average number of ordinary shares repurchased during the period	-	-
Number of ordinary shares outstanding at the end of the period	20,723,619	20,723,619

XV. OTHER SIGNIFICANT ITEMS (CONTINUED)

3. Earnings per share (Continued)

(3) Earnings per share

All amounts in RMB

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.13	0.12
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.13	0.12
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

Financial Statements and Review Report

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	30 June 2019	31 December 2018
Within 1 year	180,463	300,678
1 to 2 years	—	—
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	40,369	40,369
Over 5 years	149,559	149,559
Total book value	370,391	490,606
Less: provisions for credit losses	171,634	171,634
Carrying amount	198,757	318,972

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

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(2) Provision for credit losses

Applicable Not Applicable

All amounts in RMB'000

Items	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2018	–	171,634	171,634
Provision for the current period	–	–	–
Provision for credit losses at 30 June 2019	–	171,634	171,634
Book value at 30 June 2019	198,757	171,634	370,391

(3) The top 5 largest accounts receivable collected by arrears at the end of the period

Applicable Not Applicable

All amounts in RMB'000

Name of entity	Relationship with the Company	30 June 2019	As a percentage of total accounts receivable (%)
Party 1	Third Party	180,463	48.72
Party 2	Third Party	118,382	31.96
Party 3	Third Party	46,454	12.54
Party 4	Subsidiary	18,294	4.94
Party 5	Third Party	6,798	1.84
Total	/	370,391	100.00

Applicable Not Applicable

- (4) As at 30 June 2019, the Company had no derecognized accounts receivable due to the transfer of substantially all the risks and rewards of ownership of the accounts receivable to the transferees whereas whose continuing involvement into transferred financial assets(as at 31 December 2018: nil).

Financial Statements and Review Report

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Presentation of other receivables

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Interests receivable	3,331,846	2,604,730
Dividends receivable	899,423	957,127
Other receivables	34,410,743	33,922,608
Total	38,642,012	37,484,465

(2) Interests receivable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Subsidiaries of the Company	3,669,237	2,941,766
Less: Provision for credit losses	337,391	337,036
Total	3,331,846	2,604,730

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(3) Dividends receivable

(a) Presentation of dividends receivable

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Subsidiaries of the Company	899,423	957,127
Total	899,423	957,127

Applicable Not Applicable

(b) At 30 June 2019, the closing balance of dividends receivable aged more than one year is RMB493,198,000.

(4) Other receivables

(a) Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	11,879,007	13,414,409
1 to 2 years	12,203,007	4,545,854
2 to 3 years	1,847,763	4,287,087
3 to 4 years	2,012,779	2,513,996
4 to 5 years	4,208,118	5,851,162
Over 5 years	8,530,065	9,578,163
Total book value	40,680,739	40,190,671
Less: provisions for credit losses	6,269,996	6,268,063
Carrying amount	34,410,743	33,922,608

Financial Statements and Review Report

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(4) Other receivables (Continued)

(b) Provision for credit losses for other receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2018	-	-	6,268,063	6,268,063
Provision for the current period	-	-	1,933	1,933
Provision for credit losses at 30 June 2019	-	-	6,269,996	6,269,996
Book value of other receivables at 30 June 2019	31,330,532	-	9,350,207	40,680,739

(c) Other receivables classified by nature

Applicable Not Applicable

All amounts in RMB'000

Nature of other receivables	30 June 2019	31 December 2018
Subsidiaries of the Company	40,563,660	40,097,217
Guarantees and deposits	112,513	87,111
Others	4,566	6,343
Total	40,680,739	40,190,671

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(4) Other receivables (Continued)

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

Applicable Not Applicable

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	30 June 2019	Aging	As a percentage of total other receivables (%)
Party 1	Subsidiary	Advance Money/ Internal loan	21,430,259	Within 5 years	52.68
Party 2	Subsidiary	Advance Money/ Internal loan	6,805,765	Within 7 years	16.73
Party 3	Subsidiary	Advance Money/ Internal loan	2,499,046	Within 8 years	6.14
Party 4	Subsidiary	Advance Money/ Internal loan	1,760,152	Within 5 years	4.33
Party 5	Subsidiary	Advance Money/ Internal loan	1,574,480	Within 3 years	3.87
Total	/	/	34,069,702	/	83.75

Applicable Not Applicable

(e) As at 30 June 2019, the Company had no derecognized other receivables due to the transfer of substantially all the risks and rewards of ownership of the other receivables to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2018: nil).

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term receivables

Applicable Not Applicable

(1) Long term receivables

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Receivables from subsidiaries of the Company	2,517,118	3,223,730
Others	2,037	2,037
Total	2,519,155	3,225,767
Less: provision for credit losses for long-term receivables	144,468	144,750
Total net book value	2,374,687	3,081,017
Including: Long term receivables due within one year	1,860,707	1,357,037
Long term receivables due after one year	513,980	1,723,980

(2) Provision for credit losses for long-term receivables

All amounts in RMB'000

Items	Phase 1 Future 12-month expected credit losses	Phase 2 Lifetime expected credit losses (unimpaired)	Phase 3 Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2018	–	–	144,750	144,750
Reversal for the current period	–	–	282	282
Provision for credit losses at 30 June 2019	–	–	144,468	144,468
Carrying amount of long-term receivables at 30 June 2019	2,374,687	–	144,468	2,519,155

(3) As at 30 June 2019, the Company had no derecognized long-term receivables due to the transfer of substantially all the risks and rewards of ownership of the long-term receivable to the transferees whereas whose continuing involvement into transferred financial assets (as at 31 December 2018: nil).

Financial Statements and Review Report

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments

Applicable Not Applicable

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Subsidiaries	88,289,294	175,034	88,114,260	87,675,344	175,034	87,500,310
Joint ventures and associates	473,501	113,146	360,355	474,863	113,146	361,717
Total	88,762,795	288,180	88,474,615	88,150,207	288,180	87,862,027

(1) Subsidiaries

Applicable Not Applicable

All amounts in RMB'000

Company name	31 December 2018	Increase	Decrease	30 June 2019		
				Provision for impairment losses for the current period	Impairment provision on 30 June 2019	Carrying Amount on 30 June 2019
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,898,546	-	-	1,898,546	-	1,898,546
Northern Engineering & Technology Corporation, MCC	826,271	-	-	826,271	-	826,271
China MCC 3 Group Co., Ltd.	1,219,670	-	-	1,219,670	-	1,219,670
Shen Kan Engineering & Technology Corporation, MCC	254,972	-	-	254,972	-	254,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	475,644
MCC Communication Construction Group Co., Ltd.	7,899,629	444,900	-	8,344,529	-	8,344,529
MCC International Incorporation Ltd.	110,804	-	-	110,804	-	110,804
Ramu NiCo Management (MCC) Ltd.	3	-	-	3	-	3
MCC Finance Corporation Ltd.	1,583,970	-	-	1,583,970	-	1,583,970
MCC Tongsin Resources Ltd.	3,483,328	19,050	-	3,502,378	-	3,502,378
MCC-JJJ Mining Development Company Limited	2,849,805	-	-	2,849,805	-	2,849,805
MCC Capital Engineering & Research Incorporation Limited	7,170,194	-	-	7,170,194	-	7,170,194
MCC Real Estate Group Co., Ltd.	5,814,517	-	-	5,814,517	-	5,814,517
China 13th Metallurgical Construction Corporation	372,399	-	-	372,399	-	372,399
MCC TianGong Group Corporation Limited.	2,261,984	-	-	2,261,984	-	2,261,984
China 22MCC Group Co., Ltd.	3,407,199	-	-	3,407,199	-	3,407,199
China ENFI Engineering Co., Ltd.	4,310,884	-	-	4,310,884	-	4,310,884
China Second Metallurgical Group Corporation Limited	1,262,835	-	-	1,262,835	-	1,262,835

Financial Statements and Review Report

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

Applicable Not Applicable

All amounts in RMB'000

Company name	31 December	Increase	Decrease	Provision for			
	2018			30 June 2019	impairment losses for the current period	impairment provision on 30 June 2019	Carrying Amount on 30 June 2019
Central Research Institute of Building and Construction Co., Ltd.	2,743,939	-	-	2,743,939	-	-	2,743,939
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	473,303	-	-	473,303	-	-	473,303
CISDI Group Co., Ltd.	4,368,886	-	-	4,368,886	-	-	4,368,886
China MCC 5 Group Co., Ltd.	3,050,967	-	-	3,050,967	-	-	3,050,967
China Metallurgical Construction Engineering Group Co., Ltd.	2,085,910	-	-	2,085,910	-	-	2,085,910
China MCC 19 Group Co., Ltd.	2,974,357	-	-	2,974,357	-	-	2,974,357
MCC Baosteel Technology Services Co., Ltd.	1,091,924	-	-	1,091,924	-	-	1,091,924
China MCC 20 Group Co., Ltd.	1,680,279	-	-	1,680,279	-	-	1,680,279
Shanghai Baoye Group Co., Ltd.	6,710,953	-	-	6,710,953	-	-	6,710,953
Huatian Engineering & Technology Corporation, MCC	2,156,648	-	-	2,156,648	-	-	2,156,648
China MCC 17 Group Co., Ltd.	1,755,361	-	-	1,755,361	-	-	1,755,361
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
WISDRI Engineering & Research Incorporation Limited	5,393,412	-	-	5,393,412	-	-	5,393,412
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd.	991,130	-	-	991,130	-	-	991,130
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	233,777	-	-	233,777	-	-	233,777
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	-	-	1,110,635	-	-	1,110,635
MCC Mining (Western Australia) Pty Ltd.	126,807	-	-	126,807	-	126,807	-
MCC Australia Holding Pty Ltd.	48,227	-	-	48,227	-	48,227	-
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Inner Mongolia Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC South China Construction Investment Co., Ltd.	51,000	-	-	51,000	-	-	51,000
MCC Rail Transit Co., Ltd.	30,000	-	-	30,000	-	-	30,000
MCC Zhongyuan Construction Investment Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Integrated Pipe Network Technology & Development Co., Ltd.	50,000	-	-	50,000	-	-	50,000
MCC Urban Investment Holding Co., Ltd.	-	150,000	-	150,000	-	-	150,000
MCC Hainan Investment & Development Co., Ltd.	24,000	-	-	24,000	-	-	24,000
Indirect holding subsidiaries	820,000	-	-	820,000	-	-	820,000
Total	87,675,344	613,950	-	88,289,294	-	175,034	88,114,260

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments (Continued)

(2) Joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Carrying amount on 31 December 2018	Changes for the current period								Carrying amount on 30 June 2019	Impairment Provision at 30 June 2019
		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		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	102,812	-	-	870	-	-	-	-	-	103,682	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	99,236	-	-	559	-	-	-	-	-	99,795	-
MCC Jianxin Investment Fund Management Co., Ltd.	55,545	-	-	1,124	-	-	-	-	-	56,669	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	10,971	-	-	(933)	-	-	-	-	-	10,038	-
Yingtai MCC Xinyin industry development partnership (limited partnership)	93,153	-	-	-	-	-	2,982	-	-	90,171	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
Total	361,717	-	-	1,620	-	-	2,982	-	-	360,355	113,146

In the reporting period, there are no significant restrictions on withdrawing the above long-term equity investments.

Applicable Not Applicable

Financial Statements and Review Report

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Guaranteed loan:	–	68,632
USD	–	68,632
Credit loans:	30,508,307	28,296,331
RMB	28,408,765	25,222,386
USD	1,856,169	2,830,580
Others	243,373	243,365
Total	30,508,307	28,364,963

(2) As at 30 June 2019, there were no significant short-term borrowings overdue but not yet paid.

(3) For the current period, the weighted average interest rate of short-term borrowings was 4.06% per annum (for the period ended 30 June 2018: 4.18% per annum).

6. Other payables

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Amounts due to subsidiaries	8,420,653	12,931,952
Amounts due to MCC	4,187,927	–
External dividends payable	982,520	687,630
Others	502,043	440,542
Total	14,093,143	14,060,124

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7. Non-current liabilities due within one year

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Long-term borrowings due within one year (Note XV 18)	1,917,127	1,961,880
Long-term employee benefits due within one year	2,228	2,228
Long-term payable within one year	–	78,980
Bonds payable within one year	18,761	31,143
Lease liabilities due within one year	21,377	–
Total	1,959,493	2,074,231

8. Long-term borrowings

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Credit loans:	7,817,127	7,836,880
RMB	5,960,958	5,983,816
USD	1,856,169	1,853,064
Total	7,817,127	7,836,880
Less: Long-term borrowings due within one year (Note XV 17):	1,917,127	1,961,880
Long-term borrowings due over one year	5,900,000	5,875,000

For the current period, the weighted average interest rate of long-term borrowings was 4.53% per annum (for the period ended 30 June 2018: 3.49% per annum).

Financial Statements and Review Report

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Presentation of operating revenue and operating costs

(1) Operating revenue and operating costs

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	2,264,878	2,217,721	2,074,598	1,976,167
Other business	–	–	141	–
Total	2,264,878	2,217,721	2,074,739	1,976,167

(2) Breakdown of operating revenue

(a) Classified by industries

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Engineering contracting	1,940,699	1,485,992
Others	324,179	588,606
Total	2,264,878	2,074,598

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Presentation of operating revenue and operating costs (Continued)

(2) Breakdown of operating revenue (Continued)

(b) Classified by geographic locations

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
China	324,179	588,606
Other countries/regions	1,940,699	1,485,992
Total	2,264,878	2,074,598

(3) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

Customer Name	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	Third Party	409,786	18.09
Party 2	Third Party	407,310	17.98
Party 3	Third Party	260,018	11.48
Party 4	Third Party	237,908	10.51
Total	/	1,315,022	58.06

(4) The project contracting services provided by the Company usually constitute a single performance obligation as a whole and are performance obligations performed within a certain period of time. As of 30 June 2019, some of the Company's project contracting service contracts are still in the process of implementation. The trading price allocated to non-implemented (or partly non-implemented) performance obligations is related to the performance progress of each project contracting service contract. It will be recognized as revenue within the future performance period of each project contracting service contract according to the performance progress.

Financial Statements and Review Report

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

10. Investment Income (losses)

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Investment incomes (losses) under equity method	1,620	(3,094)
Total	1,620	(3,094)

11. Credit impairment losses

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Provision for credit losses	(2,006)	(1,158)
Including: Other receivables credit losses	(2,288)	(8,043)
Credit losses of long-term receivables	282	6,885
Total	(2,006)	(1,158)

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

12. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	(245,985)	(334,158)
Add: Credit loss provision	2,006	1,158
Depreciation of fixed assets and right of use assets	11,475	1,158
Amortization of intangible assets	971	1,092
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	38	(2)
Losses on written-off of fixed assets	757	13
Financial expenses	184,885	349,555
(Gains) losses arising from investments	(1,620)	3,094
Decrease in inventories	6	-
(Increase) decrease in contract assets	(385,294)	22,537
Decrease (increase) in receivables from operating activities	202,031	(3,361)
Increase (decrease) in payables from operating activities	633,472	(204,564)
Net cash flows from operating activities	402,742	(163,478)
2. Net changes in cash and cash equivalents:		
30 June 2019 of cash	2,492,469	2,731,878
Less: 31 December 2018 of cash	2,511,810	4,648,065
Net decrease in cash and cash equivalents	(19,341)	(1,916,187)

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

12. Supplementary information to the cash flow statement (Continued)

(2) Cash and cash equivalents

All amounts in RMB'000

Items	30 June 2019	31 December 2018
I. Cash	2,492,469	2,511,810
Including: Cash on hand	785	464
Bank deposits without restriction	2,491,684	2,511,346
Other cash and bank balances without restriction	-	-
II. Cash equivalents	-	-
Including: Investments in debt securities due within three months	-	-
III. Cash and cash equivalents on 30 June 2019	2,492,469	2,511,810

XVII.SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

Applicable Not Applicable

All amounts in RMB'000

Items	Amount for the current period
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.)	175,234
Other non-operating income or expenses other than the above items	25,599
Profit or loss on disposal of non-current assets	20,560
Profit or loss arising from changes in fair value of trading financial assets, derivative financial instruments and other non-current financial assets and investment income on disposal of trading financial assets, derivative financial instruments and other non-current financial assets, except for those relating to the hedging transactions under the company's normal operating business	38,266
Profit or loss on disposal of long-term equity investments	147
Impact on income tax	(42,732)
Impact on non-controlling interests	(22,481)
Total	194,593

2. Return on net assets and earnings per share ("EPS")

Applicable Not Applicable

Profit during the reporting period	Weighted average rate of return on net assets (%)	EPS (All amounts in RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	3.94	0.13	Not applicable
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.66	0.12	Not applicable

Documents for Inspection

Documents for Inspection	Financial statements signed and sealed by the legal representative, the person-in-charge of accounting and the head of the accounting firm
	The original audit report sealed with the corporate seal of the accounting firm and signed and sealed by the certified public accountant
	Originals of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the Reporting Period

Chairman: Guo Wenqing

Date of Approval from the Board: 30 August 2019

AMENDMENT ON INFORMATION

Applicable Not Applicable



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