



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



2020

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. The 20th meeting of the third session of the Board was convened on 27th - 28th of August 2020. 6 out of 7 eligible Directors attended the meeting. Zhang Zhaoxiang, Vice Chairman, did not attend the meeting due to other business engagements and authorized Lin Jinzhen, 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
Vice Chairman	Zhang Zhaoxiang	Due to other business engagements	Lin Jinzhen

- III. The interim financial statement of the Company for the first half of 2020 has been reviewed by WUYIGE Certified Public Accountants LLP, but has not been audited. WUYIGE Certified Public Accountants LLP issued a review report of unqualified opinion report to the Company.
- IV. Guo Wenqing, the Chairman and legal representative of the Company, Zou Hongying, the Vice President and General Accountant of the Company, and Fan Wanzhu, the Deputy General Accountant and Head of the Financial Planning Department have declared that they warrant the truthfulness, accuracy and completeness of the financial report contained in this interim report.

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

The forward-looking statements contained in this report regarding the Company's future plans and others do not constitute any substantive commitment to investors 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. 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, resources development and equipment manufacture businesses were all influenced by the policies of the industry. The sudden outbreak of COVID-19 has increased the uncertainty of the external market situation. In recent years, the Company's adjustments to the business fields and regional market strategies were, to a certain extent, a result by following the structure adjustment and upgrade of the steel and iron industry, the implementation of "Made in China 2025", a nation strengthening strategy focusing on manufacturing industries, and the implementation of regulatory policies for the property industry, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, which thereby affected the Company's internal business structure and in return affected its financial position.

- IX. Others

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

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2020 Interim Report Cover Image Introduction

Formosa Ha Tinh Steel Plant in Vietnam had a planned production capacity of approximately 22 million tons. It is the only newly built 10-million-ton-level greenfield steel project overseas in the past 20 years, and is also the largest overseas metallurgical construction project undertaken by the Company so far. The Company undertook the work covering the overall planning, overall consulting, as well as the design, equipment supply, construction, operation and maintenance of main production units of the raw material plant, sintering, coking, blast furnace, steelmaking and continuous casting, rod-wire, hot rolling and auxiliary facilities, etc., successfully realized China's first 10-million-tonne-level greenfield steel system design and output of the entire industrial chain. The project started construction in May 2014 and was successfully put into production in May 2017.

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
“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
“The Listing Rules of Hong Kong Stock Exchange” or “H Share Listing Rules” or “Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “CMGC”	China Metallurgical Group Corporation
“China Minmetals”	China Minmetals Corporation
“MCC Real Estate”	MCC Real Estate Group Co., Ltd.
“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.*
“rules of procedure for the board of directors”	rules of procedure for the board of directors of China Metallurgical Group Corporation
“Reporting Period”	from 1 January 2020 to 30 June 2020

Definitions

"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 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 achieved impressive and remarkable results in its "mid-term examination". We did best in achieving stable growth against the economic downtrend, with the operating performance hitting a record high in the same period. Our most prominent performance is taking the lead and initiatively burdening heavy responsibilities to fight against COVID-19, which fully demonstrates our role as an excellent central enterprise.

During the Reporting Period, the indicators including operating revenue, total profit, net profit and newly signed contract value all hit new highs, and the indicator for asset quality continued to improve. Among them, the operating revenue amounted to RMB180.565 billion, representing a year-on-year increase of 13.55%. Total profit was RMB5.503 billion, representing a year-on-year increase of 12.72%, of which net profit attributable to Shareholders of the listed company was RMB3.592 billion, representing a year-on-year increase of 13.78%; newly signed contracts amounted to RMB465.219 billion, representing a year-on-year increase of 21.96%. Quality of the contracts continued to improve, and the newly signed individual contracts with value of more than RMB500 million reached a total of RMB268.925 billion, representing a year-on-year increase of 30.16%. The Company has made new achievements in scientific and technological innovation. 4,735 patent applications were filed in the first half of the year, and 2,252 patents were newly granted, accumulating 30,663 effective patents as of the end of the Reporting Period, further improving the quality of its patents. The Company took lead in developing and issued 3 international standards and the national standard "General Technical Requirements for Emergency Medical Modular Isolation Units" (《應急醫用模塊化隔離單元通用技術要求》). It has owned an accumulation of 26 technological innovation platforms at national level, and won 51 National Science and Technology Awards and 73 China Patent Awards, and issued 51 international standards. MCC has shown steady growth trend for substantial development.

At present, the COVID-19 pandemic is still spreading around the world. The world is undergoing profound changes, and the economy is in a deep recession. China's economic recovery is accelerating, but the basis for sustained recovery is not stable enough. We will judge the situation from a dialectical perspective. We will better prepare ourselves, both at thought and practical work level, to face the external environment changes in the long run. While being assertive, we will pull our efforts to focus on our own development. While emancipating the mind and seeking the right direction, we will spare no efforts to achieve our annual targets, steadily improve the efficiency and the quality, and continue to enhance the brand influence by seizing market opportunities, speeding up the transformation and upgrading, as well as building up the development momentum. Seeking new opportunities in the crisis and opening up new prospects against the changing environment, MCC will strive to pursue a new round of high-quality and leap-forward development.

In terms of industrial optimization and upgrading, we will stand our ground in forging the world's top "national team" for metallurgical construction, accelerate the upgrading and form new advantages. We will persistently increase efforts to build the national team system for the metallurgical construction industry, and develop a super-premium national team. Relying on the iterative upgrade of core technologies, we always ensure our leading position in the industry. We will push ahead with optimization by industry chain consolidation advantages, so as to retain its irreplaceable role in the industry. We will start "second pioneering work" with continuous innovation, aiming to maintain the strong momentum for development all the time. We will build an excellent and main force for infrastructure construction, accelerate the improvement and take it to a new level. We will continue to empower and facilitate the development of the forerunner of the emerging industries, and speed up breakthroughs and explore new sectors.

In terms of market expansion, we will adhere to the market development principle of "herding sheep on the grassland and casting a net at fishpond". We will strengthen the market development leadership building of "the major leaders taking the lead to develop the market, organizing elites and talents to seek opportunities in the market". Meanwhile, we will focus on the goal orientation, be self-motivated and assign responsibilities, and aim to achieve trillion contract value. We will stress and strengthen the systematic advantages and further improve the market development system. We will strive to seize a new round of infrastructure investment opportunities by highlighting the entire process of marketing and further improving the quality of market operation.

In terms of tapping potentials and increasing efficiency, we bear the philosophy of "Saving one cent is easier than earning one cent" in mind. We will adhere to fine management; strengthen cost control of all staff, all factors and the whole process; continue to focus on reducing the controllable expenses and financing costs as much as possible, so as to strictly save various expenses and reduce all kinds of costs.

For the purpose of stringently controlling risks, we will take stability as the top priority and place risk control as an important prerequisite for all business activities, sparing no efforts to strengthen risk management of financial capital, investment control, risk control of overseas business, as well as safety production and flood relief.

With respect to team building, we will continue to practice the pragmatic and enterprising work style, pay close attention to the implementation of works, and vigorously strengthen the construction of capacity to implement and give priority to strengthening the strategic implementation and system implementation. We will properly develop and exchange outstanding young talents, continue to enhance the match and suitability between personnel and posts; strengthen the echelon building of reserve talents and optimize the team structure; proactively forge the work mechanism in which the capable staff take the lead, the excellent staff are awarded, the mediocre staff are subordinated and the unqualified staff are weeded out. In that way, we will strive to build a practical team with integrity and truthfulness, and be able to achieve the substantial performance that live up to the times.

Our original intention remains unchanged, and we will never slack off despite all the difficulties. In spite of the current severe and complex environment, we will stay firm with confidence and determination, be realistic, pragmatic and earnest and make progress every day, and do not slacken the pace. In that spirit, we will strive to write a new chapter of "Focusing on the core business of MCC in building a better MCC", to create new and greater value for the country, the shareholders, the society and our employees!

Company Profile and Major Financial Indicators

MCC is the world's largest and strongest metallurgical construction contractor and operation service provider, one of the state-recognized major resource enterprises, one of China's largest steel structure producer, and the main force for China's infrastructure construction. In the early stages of China's reform and opening-up, CMGC with MCC as its core asset created the world-renowned "Shenzhen Speed". It was ranked 8th in ENR's Top 250 Global Contractors in 2019.

Adhering to the strategic positioning of "being the national team of metallurgical construction, the main force of infrastructure construction, and the frontrunner of emerging industries, and insisting on the road of high-tech and high-quality development in the long term", MCC assumes the national responsibility of leading China's metallurgical industry to a higher level with its advanced core technology, integrated advantages in the irreplaceable whole metallurgy industry chain, and the capacity of continuous innovation. Relying on its outstanding scientific research, exploration, design and construction capabilities, MCC speeds up transformation and upgrading, builds up the "four-beam and eight-pillar" business system, and forges itself into the leading force of national infrastructure construction. By taking innovation as the new engine and fuel for corporate development, MCC undertakes the important task to innovate and lead China's development of emerging industries, thus constantly upgrading itself with new 'name card' for promoting sustainable development under the new normal.

As an innovation-oriented enterprise, MCC has 12 Class A scientific research and design institutes and 15 large-scale construction enterprises, with 5 comprehensive Class A design qualifications and 37 special-grade general contracting construction qualifications. Among its subsidiaries, 2 are granted with quadruple special-grade construction qualifications, 6 are granted with triple special-grade construction qualifications and 4 are granted with dual special-grade construction qualifications, ranking forefront in China. MCC also has 26 national-level scientific research and development platforms and over 30,000 effective patents. Since 2009, it has won 73 China Patent Awards (winning the China Patent Gold Award for 3 consecutive years from 2015 to 2017). Since 2000, it has won 51 National Science & Technology Awards and published 46 international standards and 523 national standards. It has received the Luban Prize for Construction Projects for 107 projects in aggregate (including those participation), the National Quality Engineering Award for 202 projects (including participation), the Tien-yow Jeme Civil Engineering Prize for 18 projects (including participation), and 606 Metallurgy Industry Quality Engineering Awards. MCC has over 57,000 engineering technicians, 2 academicians of the Chinese Academy of Engineering, 12 national exploration and design masters, 4 experts listed in the National "Hundred, Thousand and Ten Thousand" Talent Project, 476 staff members enjoying special government allowance from the State Council, 3 gold medalists of the WorldSkills Competition, 1 winner of the Grand Skill Award of China and 65 National Technical Experts.

MCC was listed on the main board of the SSE and the Hong Kong Stock Exchange on 21 September 2009 and 24 September 2009, respectively. 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:

Company Profile and Major Financial Indicators

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	
Facsimile	+86-10-59868999	
Telephone	+86-10-59868666	
E-mail	ir@mccchina.com	

III. 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
Business address of the Company in Hong Kong	Room 3205, 32/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited
Address of H Share registrar and transfer office	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Website address of the Company	http://www.mccchina.com
E-mail	ir@mccchina.com

Company Profile and Major Financial Indicators

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 (A Shares)	http://www.sse.com.cn
Website designated by the Hong Kong Stock Exchange for publication of interim report (H Shares)	www.hkexnews.hk
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	01618

VI. OTHER RELEVANT INFORMATION

Auditor appointed by the Company	Name	WUYIGE Certified Public Accountants LLP
	Office address	1504 Xueyuan International Tower, NO.1 Zhichun Road, Haidian District, Beijing
	Signing auditors	Wang Jin, Cai Jinliang
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

Company Profile and Major Financial Indicators

(III) Financial highlights

1. Overview

The highlights of the Company's financial position as at 30 June 2020 and the operating results for the six months ended 30 June 2020 are as follows:

- Operating revenue amounted to RMB180,565 million, representing a year-on-year increase of RMB21,548 million or 13.55% from RMB159,017 million in the first half of 2019.
- Net profit amounted to RMB4,277 million, representing a year-on-year increase of RMB499 million or 13.21% from RMB3,778 million in the first half of 2019.
- Net profit attributable to Shareholders of the listed Company amounted to RMB3,592 million, representing a year-on-year increase of RMB435 million or 13.78% from RMB3,157 million in the first half of 2019.
- Basic earnings per share amounted to RMB0.14, and the basic earnings per share in the first half of 2019 amounted to RMB0.13.
- As at 30 June 2020, total assets amounted to RMB488,713 million, representing an increase of RMB30,207 million or 6.59% from RMB458,506 million as at 31 December 2019.
- As at 30 June 2020, total Shareholders' equity amounted to RMB118,741 million, representing an increase of RMB1,835 million or 1.57% from RMB116,906 million as at 31 December 2019.
- Newly signed contracts amounted to RMB465,219 million, representing an increase of RMB83,754 million or 21.96% from RMB381,465 million in the first half of 2019.

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 RMB163,537 million, representing an increase of RMB18,462 million or 12.73% from RMB145,075 million in the first half of 2019.

(2) Property Development Business

Operating revenue amounted to RMB13,111 million, representing an increase of RMB2,726 million or 26.24% from RMB10,385 million in the first half of 2019.

(3) Equipment Manufacturing Business

Operating revenue amounted to RMB4,794 million, representing an increase of RMB1,066 million or 28.60% from RMB3,728 million in the first half of 2019.

(4) Resource Development Business

Operating revenue amounted to RMB1,479 million, representing a decrease of RMB790 million or -34.79% from RMB2,269 million in the first half of 2019.

Company Profile and Major Financial Indicators

(5) Other Businesses

Operating revenue amounted to RMB1,635 million, representing a decrease of RMB48 million or -2.84% from RMB1,683 million in the first half of 2019.

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

3. Summary of financial statements

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

(1) Consolidated Income Statement

Unit: RMB'000

Item	Note	January to June 2020	January to June 2019
I. Total operating revenue		180,565,193	159,017,379
Including: Operating revenue	VII 52	180,565,193	159,017,379
II. Total operating costs		172,522,957	153,294,197
Including: Operating costs	VII 52	161,154,787	141,523,492
Taxes and levies	VII 53	961,239	1,191,138
Selling expenses	VII 54	971,393	1,030,968
Administrative expenses	VII 55	4,072,741	4,147,974
Research and development expenses	VII 56	4,127,934	3,716,817
Financial expenses	VII 57	1,234,863	1,683,808
Including: Interest expenses	VII 57	1,932,197	2,386,058
Interest income	VII 57	967,130	1,149,521
Add: Other income	VII 58	128,573	76,097
Investment income	VII 59	(522,424)	(198,337)
Including: Income of investments in associates and joint ventures	VII 59	(47,081)	(41,053)
Income recognized in termination of financial assets carried at amortised costs	VII 59	(354,740)	(249,984)
Gains from changes in fair values	VII 60	11,423	(3,711)
Credit impairment losses	VII 61	(1,841,852)	(764,520)
Asset impairment losses	VII 62	(509,085)	(28,970)
Gains on disposal of asset	VII 63	13,807	20,560
III. Operating profit		5,322,678	4,824,301
Add: Non-operating income	VII 64	237,059	103,259
Less: Non-operating expenses	VII 65	56,352	45,371
IV. Total profit		5,503,385	4,882,189
Less: Income tax expenses	VII 66	1,226,819	1,103,931

Company Profile and Major Financial Indicators

Item	Note	January to June 2020	January to June 2019
V. Net profit		4,276,566	3,778,258
(I) As classified by continuity of operation			
Net profit from continuing operations		4,276,566	3,778,258
Net profit from discontinued operations		–	–
(II) As classified by vested ownership			
Net profit attributable to Shareholders of the Company		3,591,925	3,156,882
Profit or loss of minority Shareholders		684,641	621,376
VI. Other comprehensive income, net of income tax			
	VII 67	88,900	(2,596)
Other comprehensive income attributable to Shareholders of the Company, net of income tax		45,656	(1,921)
(I) Items that will not be reclassified to profit or loss		(75,347)	19,427
1. Change in re-measurement of defined benefit obligations		(46,886)	410
2. Change in fair value of investment in other equity instruments		(28,461)	19,017
(II) Items that may be reclassified subsequently to profit or loss		121,003	(21,348)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		–	(27)
2. Changes in fair value of receivables at FVTOCI		4,890	(43,335)
3. Exchange differences on translating foreign currency statements in foreign currencies		116,113	22,014
Other comprehensive income attributable to non-controlling interests, net of income tax		43,244	(675)
VII. Total comprehensive income		4,365,466	3,775,662
Total comprehensive income attributable to Shareholders of the Company		3,637,581	3,154,961
Total comprehensive income attributable to non-controlling interests		727,885	620,701
VIII. Earnings per share	XV 3	–	–
(I) Basic earnings per share (RMB/share)		0.14	0.13
(II) Diluted earnings per share (RMB/share)		N/A	N/A

Company Profile and Major Financial Indicators

(2) Summary of Consolidated Total Assets and Total Liabilities at the end of June 2020

Unit: RMB'000

	30 June 2020	31 December 2019
Total assets	488,713,186	458,506,213
Total liabilities	369,972,309	341,600,705
Total Shareholders' equity	118,740,877	116,905,508

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

Applicable Not Applicable

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

Unit: RMB'000

Non-recurring profit and loss items	Amount	Note (if applicable)
Profit or loss on disposal of non-current assets, including the write-off part of the impairment provision of the asset	13,478	Note 17
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)	275,630	Note 17
The excess of the fair value of identifiable net assets acquired over the cost for acquisition of subsidiaries, associates and joint ventures	3,930	Note 17
Profit/loss from the change of fair value of financial assets held for trading, other non-current financial assets and transactional financial liabilities and investment income from the disposal of financial assets held for trading, other non-current financial assets and transactional financial liabilities except for those profit/loss relating to the hedging transactions under Company's normal operating business	18,580	Note 17
Other non-operating income or expenses other than the above items	97,345	Note 17
Impact on non-controlling interests	(28,129)	Note 17
Impact on income tax	(69,534)	Note 17
Total	311,300	Note 17

X. MAJOR FINANCIAL DATA IN 2020 ON A QUARTERLY BASIS

Unit: RMB'000

	The first quarter (January–March)	The second quarter (April–June)
Operating revenue	72,724,921	107,840,272
Net profit attributable to Shareholders of the Company	1,892,109	1,699,816
Net profit attributable to Shareholders of the Company after deducting non-recurring profits and losses	1,811,154	1,469,471
Net cash flow generated from operating activities	(8,893,561)	10,307,578

Report of Directors

I. EXPLANATION ON THE PRINCIPAL BUSINESS, OPERATING MODEL AND INDUSTRIES IN WHICH THE COMPANY ENGAGED DURING THE REPORTING PERIOD

Following 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” and relying on the excellent abilities in metallurgical research, investigation, design, and construction, MCC has developed a complementary comprehensive business structure with significant synergy effect of “four beams and eight pillars”, among which, beams refer to four business sectors of engineering contracting, property development, equipment manufacturing and resources development, while pillars are comprised of metallurgical engineering, high-end housing construction, mid- and high-end real estate, transportation and municipal infrastructure, mine construction and development, core technology equipment and MCC’s steel structure, environmental engineering and new energy and featured theme projects.

(I) Engineering Contracting Business

1. Industry Overview

The COVID-19 pandemic has spread across the globe ever since January 2020. Given this affect, China’s economy was severely impacted with its GDP recording a year-on-year decline. Meanwhile, anti-globalization is on the rise, structural, institutional and periodic problems intertwined in China’s economy, thus increasing economic downward pressure. The constant spread of the pandemic throughout the world directly affected transaction in international businesses and performance of contracts, and control measures adopted by different countries to control the pandemic also brought about far-reaching derivative effects on international businesses.

In the field of metallurgical construction, as the supply-side structural reform continued to advance, the steel industry has gradually shifted from scale adjustment to quality and benefit adjustment, and entered a critical stage to cut ineffective supply and foster new growth drivers. The process of reducing production capacity, adjusting structure, and reinforcing weak links has further accelerated, and application of green and intelligent technologies has sped up, urging the iron and steel companies to continuously increase their investment, thus bringing various market opportunities.

In the field of fundamental construction, China has made greater efforts on contracyclical adjustment, focusing on steadily promoting stability in six areas and security on six fronts, through implementing proactive fiscal policy as well as robust and flexible monetary policy to expand domestic demand, keep external demand stable and facilitate the development of new infrastructure and new-type urbanization and key projects as well as other major projects. As governments at all levels sped up to institute their implementation policies, investment and construction will embrace a peak period in the industry, bringing favorable opportunities to infrastructure market.

As the national strategic planning, including western China development, the construction of China (Hainan) Pilot Free Trade Zone, the integrated regional development of the Yangtze River Delta, coordinated development in the Beijing-Tianjin-Hebei Region, construction of Xiong’an New Area and Guangdong-Hong Kong-Macao Greater Bay Area, has been further advanced, the construction for new infrastructure, new urbanization, large infrastructure projects have been further accelerated. Emerging industries maintained strong growth momentum. Businesses related to these emerging industries, including featured theme project, watershed treatment, soil remediation, prefabricated buildings, will embrace great potential for development.

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2. Operating Results of the Business

Ever since the beginning of 2020, the unexpected COVID-19 pandemic has disrupted the normal economic and social development, posing daunting challenges on corporate operation. "Attaching equal importance to prevention and control of the pandemic and production and operation", the Company focused on core industries, core areas, core projects and core customers, and made every possible effort to expand engineering market both at home and abroad so as to spare no pain in making up for losses caused by the pandemic, and achieving growth in newly contracted amount against the downtrend. During the Reporting Period, the newly signed engineering contracts of the Company amounted to RMB449.562 billion, representing a year-on-year increase of 22.65%, further creating a record high. Newly signed metallurgical engineering contracts amounted to RMB62.223 billion, representing a year-on-year decrease of 4.05%, and accounted for 13.84% of the newly signed engineering contracts, representing a decrease of 3.85 percentage points over the same period of 2019. Newly signed non-steel engineering contracts amounted to RMB387.339 billion, representing a year-on-year increase of 28.38%, and accounted for 86.16% of the newly signed engineering contracts, representing an increase of 3.85 percentage points over the same period of 2019. Newly signed overseas engineering contracts amounted to RMB11.281 billion.

The overall operating results of the engineering contracting business in the first half of 2020

Unit: RMB'000

	First half of 2020	% of the total	First half of 2019	Year-on-year increase/decrease
Segment operating revenue	163,537,270	88.61%	145,074,533	12.73%
Gross margin (%)	9.59	–	9.39	Increased by 0.20 percentage point

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

(1) Metallurgical Engineering Construction Business

Closely keeping up with the pace of adjustment to the layout and upgrading of domestic iron and steel industry during the Reporting Period, the Company seized market opportunities brought by energy conservation and environmental protection, green manufacturing, smart manufacturing in metallurgical construction, and facilitated further cooperation with key steel enterprises to ensure that its control and absolute dominance in major steel construction projects remain unchanged, and to continuously march towards the high-end of metallurgical value chain. In particular, targeted planning should be made in advance with project development strategies for key projects to ensure that MCC obtains medium and large projects from major iron and steel enterprises.

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

Unit: RMB'000

Items of revenue	First half of 2020		First half of 2019		First half of 2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	31,763,810	19.42	29,393,644	20.26	26,233,380	23.58

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

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During the Reporting Period, the Company made great breakthrough in metallurgical construction contract amount, and won bid for a plenty of major construction projects. The Company succeeded in winning the bid for general contracting project for iron-making project section in green fine steel project of Zenith Steel, general contracting project for bid section of rolling steel bar project, general contracting project for sintering and waste heat power generation project and general contracting project for the bid section of coking project with the total contract amount of RMB7.2 billion. As one of the major large-scale industrial projects in Jiangsu in 2020, the project is a high-end green steel industrial park built near a port with high positioning, high planning level and high standard at hundreds of billions of investment. The Company succeeded in contracting general contracting project for cold rolling project in Jingang intelligent industrial park. Integrating such main product lines as pickling, galvanizing, color coating and retreating, the project developed a new model that domestic full cold rolling unit is integrated and supplied by one engineering company, pioneering the supply of domestic full cold rolling unit. In addition, the Company made every possible effort to seize opportunities, and successively entered into contract for steel-making and continuous casting in special steel plate reduction and replacement technical transformation project of Zhongxin Steel, general contracting for iron-making system project, steel-making main and auxiliary facilities project in relocation of iron & steel for environmental protection, and transformation and upgrading of steel-making and continuous casting project of Wuhan Iron and Steel in Kunming, industrial upgrading of HBIS and 1# and 2# high line project in long product engineering in transformation of capacity in Xuanhua Steel, coke oven system engineering in relocation project for environmental protection of Magang (Hefei), general contracting project for sintering machine engineering covering the area of $2 \times 450\text{m}^2$ in Rizhao Steel in Shandong, thus its position of the national team for metallurgical construction was further enhanced and consolidated.

In overseas market, the Company mainly developed and implemented iron and steel, nonferrous construction and special engineering projects, and undertook projects under EPC, EPC+F, and EPC+pre-planning and post-operation. The Company proposed to win customers with "engagement in early and later stages", i.e., 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 expansion and extension of service scope through "engagement in later stage", in order to improve success rate of project marketing.

During the Reporting Period, overseas engineering market operation were confronted with daunting challenges from the pandemic. While making great effort to ensure major projects were conducted on schedule, the Company also further deepened its overseas development strategies, and persistently distinguished itself as the top one brand of "the national team for metallurgical construction" in the world with its first-class design and construction to lead and drive iron and steel industry to high-quality development. In March, No. 1 blast furnace in project of 3.5 million tons of steel at Steel Plant in Dexin, Steel Plant of Dexin Steel Indonesia Indonesia, which is an iconic project of modern iron and steel production base construction under the Belt and Road Initiative, fired up successfully. Thereafter, the Company entered into the supply contract for nickel iron project (phase II and phase III) with PT.CNI, a company from Indonesia, thus further expanding the Company's brand influence in construction of nickel iron sector in Southeast Asia. The contract for high-end electrical steel continuous annealing unit used in new energy vehicles signed between the Company and NLMK, a steel giant in Russia, realized the export of China's cold rolling silicon steel technology and high-end cold rolling equipment to Europe, setting an example for the Company to build intelligent, green silicon steel continuous annealing projects abroad.

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

No.	Name of Project	Contractual Amount <i>RMB100 million</i>
Domestic project		
1	Zenith Green Quality Steel (Haimen Port Area of Tongzhou Bay) Project of Zenith Steel Group (Nantong) Co., Ltd. (中天鋼鐵集團(南通)有限公司中天綠色精品鋼(通州灣海門港片區)項目) ^{Note}	72.0
2	Special Steel Plate Reduction, Replacement Technical Transformation Project of Zhongxin Steel Group Co., Ltd. (中新鋼鐵集團有限公司特鋼板材減量置換技改項目)	25.1
3	Engineering General Contracting Project for 2×1,580m ³ Blast Furnace and Supporting Public Auxiliary Facilities in Inner Mongolia Chifeng Zhongtang Special Steel Co., Ltd. (內蒙古赤峰中唐特鋼有限公司2×1,580m ³ 高爐及配套公輔設施工程總承包項目)	16.8
4	Engineering General Contracting Project for Steel-making Main and Auxiliary Facilities Project in Relocation of Iron & Steel for Environmental Protection, and Transformation and Upgrading of Steel-making and Continuous Casting Project of Kunming Iron & Steel Holdings Co. Ltd. of Wuhan Iron and Steel Group (武鋼集團昆明鋼鐵股份有限公司環保搬遷轉型升級煉鋼連鑄工程煉鋼主體及輔助設施工程總承包項目)	10.5
5	Relocation Project of Saint-Gobain Musong Bridge Xuzhou Base in Jiangsu Province (江蘇省聖戈班穆松橋徐州基地搬遷工程項目)	9.5
6	General Contracting Project for Sintering Machine Engineering Covering an Area of 2×450m ² in Rizhao Steel Holding Group Co., Ltd. in Shandong (山東日照鋼鐵有限公司2×450m ² 燒結機工程總承包項目)	9.0
Overseas project		
1	General Contracting Supply Project for CNI Nickel-Iron in Indonesia (Phase III) (印尼CNI鎳鐵總包三期供貨項目)	11.1
2	Engineering Project for OBI Nickel -Iron in Indonesia (Section I) (印尼OBI鎳鐵項目一標段工程項目)	8.5
3	Supply Project for CNI Nickel-Iron Project in Indonesia (Phase III) (印尼CNI鎳鐵項目三期供貨項目)	5.7

Note : The different bidding sections of the project are implemented by subsidiaries of of the Company, i.e. Coking and Refractory Engineering Consulting Corporation, MCC, CISDI Group Co., Ltd., Zhongye Changtian International Engineering Co., Ltd. and MCC Huatian Engineering and Technology Corporation, respectively.

(2) Non-Steel Engineering Construction Business

1) Housing Construction and Infrastructure Construction

Making continuous effort to keep “focusing on core industries, core areas, core customers and core projects” as its main principle in marketing during the Reporting Period, the Company concentrated its work in the core areas comprising of Beijing-Tianjin-Hebei, Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta, urban agglomeration in central China, and urban agglomeration in Chengdu and Chongqing with due consideration to key areas in key cities in the northwest China and southwest China, and achieved sustainable development in such popular areas as national central cities and Xiong’an New Area, Beijing’s sub-center and regions along the “Belt and Road” and other focal regions to improve its regional influence and control. Meanwhile, brand and resource advantages in localities where its subsidiaries operate were maximized to further promote localized marketing quality.

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In the urban agglomeration of Beijing-Tianjin-Hebei around Bohai, the Company successively won the bid and entered into contract for a number of major projects, including relevant construction and outdoor supporting facilities construction for renovation project of dilapidated houses in Liupukang, Beijing, project for Hematology Hospital (Tuanbo Hospital), Chinese Academy of Medical Sciences at Jinghai District, Tianjin, construction project for Daoguo Yuncheng in Bazhou, 2017–2018 phase I project for renovation of dilapidated rural houses in Lianchi District, Baoding, and renovation project for dilapidated rural houses in urban villiage (Liguan Village) in Lubei District, Tangshan City.

In the urban agglomeration of Guangdong-Hong Kong-Macao Greater Bay Area, the Company successively won the bid and entered into contract for a number of major projects, including urban renewal project for Hongji Export Supervised Warehouse in Yantian Street, Shenzhen, general contracting project for construction of Zhaoqing Campus of Guangzhou University Songtian College, general contracting project for urban renewal construction for central area in Nanwan, Longgang District, Shenzhen, general contracting project for construction of pile foundation and main building for basement in Zhuhai Jincheng Innovation Center, civic art center project in Zhuhai Jinwan Airport City, and general contracting project for Shenzhen Eastsea Regence Royale.

In the urban agglomeration of Yangtze River Delta, the Company successively won the bid and entered into contract for a number of major projects, including (phase I) joint plant project for Gigafactory of Shanghai Tesla, relocation and resettlement housing project for line 14 of Shanghai Jiading Rail Transit, relocation and resettlement housing project for Beixing, Changxing Island, Shanghai, construction project for headquarters R&D center in land parcel of Shanghai Qingpu Jingyi Electrical Apparatus, Hangzhou International Technology Innovation Center project of Zhejiang University, and phase I project for intelligent equipment and big data industrial park in Ma'anshan, Anhui.

In the urban agglomeration of central China, the Company successively won the bid and entered into contract for a number of major projects, including phase III project for Yinxiang Hushan in Xinyang, Henan, renovation project for dilapidated rural houses in Shaying River area, Zhoukou City, Henan, west area project in Zhongjia Greentown, Dancheng County, Henan, phase I project for urbanization construction in all areas in Henan Hebi Development Zone, reconstruction community project for Yanling Garden, Dongxihu District, Wuhan City, Hubei, reconstruction community project for Airport New Town, Wuhan City, Hubei, and construction project for R&D center of GAC Mitsubishi Motors Co., Ltd. in Changsha City, Hunan.

In the urban agglomeration of Chengdu and Chongqing, the Company successively won the bid and entered into contract for a number of major projects, including post-disaster reconstruction and rescue and relief project for "17 June" earthquake Changning County education system in Changning, Sichuan, general contracting project for construction of Wulong-Daozhen Expressway (Chongqing section) of Chongqing-Hunan Expressway (section from main urban areas to Youyang), EPC general contracting project for section I and II in construction of public supporting facilities in Dujiangyan, Sichuan, and construction project for connecting track construction in Chongqing-Changsha Expressway (Port Logistics Expressway Tunnel-Shilong interchange section).

In the urban agglomeration of northwest China and southwest China, the Company successively won the bid and entered into contract for a number of major projects, including construction project for Zhuanglang-Tianshui section of S25 Jingning-Tianshui Expressway in Gansu, project for Jiayuguan section of S06 Jiuquan-Jiayuguan Ring Expressway, PPP project for preservation and construction of historical culture in Wuwei, Gansu, PPP project (phase II) for comprehensive reconstruction of campus in Inner Mongolia University for Nationalities, and general contracting project for construction of Fengcheng 7 Road, Xi'an City, Shaanxi, thus showing its considerable growth and development.

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Making further cooperation with local governments, large enterprises and other strategic customers, the Company captured market, made breakthrough in high-end market, and realized comprehensive development that integrated investment and financing, construction, operation and other business modes in fundamental construction by flexible applying such business models as PPP, F+EPC and FEPCO. During the Reporting Period, the Company conducted PPP construction projects continuously and steadily to further expand market and increase fundamental construction business. As of the Reporting Period, the Company won bid for 279 PPP projects in aggregate with total project investment of RMB652.037 billion covering such fields as municipal project, transportation, water conservancy construction, tourism, sports and science and technology.

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	First half of 2020		First half of 2019		First half of 2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Housing construction engineering	83,477,320	51.04	67,438,866	46.49	43,267,674	38.90
Transportation infrastructure	32,043,668	19.59	31,022,810	21.38	27,745,846	24.94
Other engineering	16,252,472	9.95	17,219,213	11.87	13,991,327	12.58

During the Reporting Period, the key projects in the fields of housing construction and infrastructure construction entered into by the Company are as follows:

No.	Name of Project	Contractual Amount RMB100 million
Housing construction projects		
1	EPC Project for the Construction of the Cancer Institute of Chinese Academy of Medical Sciences (Langfang Branch) (中國醫藥科學院腫瘤醫院分院(廊坊院區)建設工程EPC項目)	47.5
2	Financing (F) + Engineering General Contracting (EPC) Project for the New Campus Construction of Sichuan Institute of Light Industry and Chemical Technology (East) (四川輕化工大學東部新城校區建設工程融資(F)+工程總承包(EPC)項目)	40.4
3	EPC Engineering General Contracting Project for ZJU-Hangzhou Global Scientific and Technological Innovation Center (Phase I) (浙江大學杭州國際科創中心項目一期EPC工程總承包項目)	35.3
4	EPC General Contracting Project for the Survey-Design-Construction of Chengdu "Belt and Road" International Railway Port Comprehensive Park (Phase I)(成都市「一帶一路」國際鐵路港綜合園區建設一期項目勘察-設計-施工總承包EPC 標段)	29.5
5	EPC General Contracting Project for the First Section of the Public Facilities (Phase I) in Dujiangyan City in Sichuan Province (四川省都江堰市公共配套工程(一期)一標段EPC 總承包項目)	29.1
6	Project in Zhongjia Greentown West District of Dancheng County in Henan Province (河南省鄆城縣中嘉•綠城西區項目)	28.8
7	Construction Project in Tianyang Innovation Center West District of Hebei Province (河北省天洋創新中心西區建設工程項目)	28.2
8	Engineering Construction (General Contracting) Project for Ukrainian National Tchaikovsky Academy of Music in Hebei Province (河北省烏克蘭柴可夫斯基國際音樂藝術學院工程建設施工(總承包)項目)	28.0
9	EPC General Contracting Project for Shanty Town Renovation in Lianchi District, Baoding City, Hebei Province for the Year 2017-2018 (Phase I) (河北省保定市蓮池區2017-2018年棚戶區改造一期EPC總承包項目)	27.7
10	Construction Project and Outdoor Supporting Project for Dilapidated Houses Refurbishment in Dongcheng No. 18 Courtyard and 1443-01 Plot, 1443-07 Plot in Liupukang, Beijing City (北京市六鋪炕危舊房改造東城18號院及1443-01地塊、1443-07地塊建設項目及室外配套項目)	27.6

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No.	Name of Project	Contractual Amount RMB100 million
Infrastructure construction projects		
1	General Contracting Project for Construction of Rong'an-Congjiang Expressway Phase I Project (Rong'an to Antai Section) (融安至從江高速公路一期工程(融安至安太段)施工總承包項目)	64.1
2	General Contracting Project for Chongqing – Hunan Expressway (Main city to Youyang Section), Wulong to Daozhen (Chongqing Section) Expressway (渝湘複綫(主城至酉陽段)、武隆至道真(重慶段)高速公路施工總承包項目)	36.4
3	EPC General Contracting Project for Heze East Station Plaza Complex and Supporting Projects in Shandong Province (山東省荷澤東站廣場綜合體及配套項目EPC工程總承包項目)	20.0
4	Construction Project of S25 Jingning – Tianshui Expressway (Zhuanglang to Tianshui Section) in Gansu Province (甘肅省S25靜寧至天水高速公路莊浪至天水段工程項目)	19.1
5	PPP Project of S35 Jingtai-Lixian Expressway(Yuannan Section in Longnan) of Transportation Bureau of Longnan City, in Gansu Province (甘肅省隴南市交通運輸局S35景泰至禮縣高速公路院南段(隴南境內)工程PPP項目)	17.0
6	Jiayuguan Section of S06 Jiuquan-Jiayuguan Ring Expressway in Gansu Province (甘肅省S06酒(泉)嘉(峪關)繞城高速公路嘉峪關段)	16.6
7	Engineering Project for the South Extension of Zizhou Avenue (Provincial Highway 424 Dalin – Renshou Section) in Tianfu New District, Meishan, Sichuan Province (四川省眉山天府新區梓州大道南延綫(省道424大林至仁壽段)工程項目)	16.2
8	Concession Project of Expressway from Mengyuan to Guanlei Port, Mengla County, Yunnan Province (雲南省勐臘縣勐遠至關累口岸高速公路特許經營項目)	15.7
9	Phase I Project of Panda Base Expansion of Comprehensive Habitat Restoration Project (East and West Zones)(South Zone) 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)(南片區)施工熊貓基地擴建一期標段項目)	15.1
10	Lushan (Dapanshan) Tunnel Project of the Connection Line from Fuyang 320 National Highway to Fuyang Bridge (富陽320國道至富陽大橋連接綫鹿山(大盤山)隧道工程項目)	14.6
Other projects		
1	Longyan Smart Home Industry Project in Fujian Province (福建省龍岩智慧居家產業項目)	40.0
2	12 Inch Logic Integrated Circuit Manufacturing Project of Jinan High-tech Zone, Shandong Province (山東省濟南高新區12英寸邏輯集成電路製造項目)	29.0
3	Yingshang Energy Storage and Electronic Packaging Materials Industrial Park and Supporting Residential Design-Construction Integrated Project in Fuyang City, Anhui Province(安徽省阜陽市潁上儲能與電子封裝材料產業園及配套住宅設計-施工一體化項目)	21.0
4	Procurement and General Contracting Project of 1.4 Million Tons Annual Carbonization Chamber with 6.25 Meters Tall Tamping Coke Furnace of Shanxi Lu'an Coking Co.,Ltd. (山西潞安焦化有限責任公司140萬噸年炭化室高度6.25米搗固焦爐項目採購、施工總承包項目)	16.6
5	General Contracting Project of Qingdao FCP Fuel Cell and Drive System (青島市FCP燃料電池及驅動系統工程施工總承包項目)	12.5
6	The Tesla Gigafactory Project (Phase I) -Joint Plant of 3A and 3B, and Ancillary Engineering Projects(特斯拉超級工廠項目(一期)-聯合廠房3A、3B及附屬工程項目)	9.6

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No.	Name of Project	Contractual Amount <i>RMB100 million</i>
Overseas projects		
1	General Contracting Project (Engineering + Construction) for Wanli Rainforest Northern Park in Singapore (新加坡萬禮生態雨林北部公園總承包工程(設計+施工)項目)	12.6
2	General Contracting Project for Yuetai Phnom Penh Harbour Urban Complex Project in Cambodia (Phase III) (柬埔寨粵泰金邊港城市綜合體項目三期施工總承包工程項目)	7.4

2) Emerging Industries

During the Reporting Period, in accordance with the requirements of the “forerunner in the emerging industries to re-accelerate, re-expand and re-innovate”, the Company exerted efforts on emerging industries, and made major breakthroughs in areas such as urban integrated subterranean pipeline corridor, featured theme engineering, sponge city, beautiful countryside and smart city, healthcare and senior care, and environment improvement through resource integration, technological advancement, marketing model adjustment to constantly increase its competitiveness in emerging markets. The Company strove to seize market opportunities by leveraging the advantages of its specialized technology in certain research institutes of 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 the integrated subterranean pipeline corridor in the PRC, the Company is able to provide investment, 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 signed contract for a number of integrated pipeline corridor projects with great social influence in Hebi (Henan), Zhaotong (Yunnan), Shenzhen and Xi'an. As at the end of the Reporting Period, the Company won the bid for pipeline corridor PPP and EPC projects with an accumulated mileage of over one thousand kilometers, and continued to maintain its leading position in the domestic integrated pipeline corridor market.

In eco-environmental protection improvement, the Company bore in mind the concept that “Lucid Waters and Lush Mountains are Invaluable Assets”. By relying on various design and research institutes of MCC, the Company focused on key development of markets such as general treatment of river basins, general treatment of black odorous water, municipal wastewater treatment, waste-to-energy, and soil and mine remediation, and built the waste treatment brand of MCC characterized by “One Low Three High”, namely “low cost, high standard, high technology and high quality”, thereby continuously expanding its market share. In the first half of the year, the Company won the bid and entered into contract for a number of major projects, including treatment project for geological environment of mines in the mining areas in the east of Sanhe, Langfang City, Hebei (Phase V), section II in phase II batch III construction for comprehensive ecological restoration project (east and west zones) in ecological zones around the city of Chengdu, general contracting for design and construction of comprehensive water environment treatment project (phase I) Shujia River (north section) of basin of Fujiang River in Hi-tech District, Suining, general contracting for construction of section II in demonstration city construction project for urban black and odorous water treatment in Zhaotong City, and PPP project for upgrading construction for sewage treatment plant in Zhuozhou.

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In the field of special theme projects, the Company, as the world's largest contractor for theme park construction with the only professional design institute for theme parks in China, is the country's one and only enterprise qualified for both theme park design and the execution of entire construction projects. During the Reporting Period, the first domestic canyon swing developed, manufactured and installed independently by the Company passed the on-site test performed by China Special Equipment Inspection and Research Institute, signifying that the equipment obtained national recognition, thus further enhancing the Company's leading role in the field of domestic amusement products. In the first half of the year, the Company won the bid and entered into contract for such major projects as construction project for Paramount film theme park, villa area and supporting facilities in Xianshan International Cultural Village in Xiangyang, Hubei, and project engineering for Expo Park of 2021 Yangzhou World Horticultural Expo, further displaying its brand influence and industrial competitiveness in the field of theme parks.

In the healthcare and senior care field, the Company conformed to the development trend of the industry and the pressing needs in demand of the market by adopting the double innovative mode of "research institute + healthcare and senior care investment platform". Leveraging the technological advantage of the Healthcare and Senior Care Industry Technology Research Institute of MCC, the Company offered owners with all-round and comprehensive services of "healthcare, rehabilitation, senior care, health-consciousness, fitness, travel and culture" with professional and full-range perspectives.

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

No.	Name of Projects	Contractual Amount <i>RMB100 million</i>
Urban Integrated Subterranean Pipeline Corridor projects		
1	General Contracting of Project Design, Procurement and Construction of the Integrated Pipeline Corridor (Channel) Project in Hebi East District, Henan Province (河南省鶴壁東區綜合管廊(溝)項目設計、採購及施工總承包項目)	17.8
2	General Contracting of Phase I Construction of the Integrated Subterranean Pipeline Corridor in Zhaoyang District, Zhaotong City, Yunnan Province (雲南省昭通市昭陽區地下綜合管廊(一期)項目施工總承包項目)	8.8
Theme Park Projects		
1	Paramount Film Theme Park, Villa Area and Supporting Facilities in Xianshan International Cultural Village in Xiangyang, Hubei (湖北省襄陽市峴山國際文化村派拉蒙影視主題樂園、別墅區及配套工程項目)	15.2
2	Project Engineering for Expo Park of 2021 Yangzhou World Horticultural Expo (2021揚州世界園藝博覽會世博園項目工程)	7.5
3	General Contracting (EPC) Project of Wuzhou Guangxi Forest Park Project in Guangxi Province (廣西梧州市廣信森林公園項目(EPC)工程總承包項目)	6.2

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No.	Name of Projects	Contractual Amount <i>RMB100 million</i>
Environmental Improvement Project		
1	Supplementary Agreement(III) to EPC General Contracting Contract of Comprehensive Treatment PPP Project of Water Environment for the Central City of Ma'anshan in Anhui Province (安徽省馬鞍山市中心城區水環境綜合治理PPP項目EPC總承包合同補充協議書(三))	16.2
2	Geological Environmental Treatment Project (Phase V) for Mines in the Mining Areas at the East of Sanhe, Langfang City, Hebei Province (河北省廊坊市三河東部礦區礦山地質環境治理工程(五期)項目)	10.5
3	Phase II, Batch III, Second Section of the Construction of Comprehensive Ecological Restoration Project for the Chengdu Around-city Ecological Zone (East and West Zone) (成都市環城生態區生態修復綜合項目(東、西片區)二期三批次施工二標段)	6.1
4	Design-Construction General Contracting of Comprehensive Water Environment Treatment Project (Phase I) of Shujia River (South Section), Fujiang River Basin, Suining High-tech Zone (遂寧高新區涪江流域舒家河(北段)水環境綜合治理項目(一期)設計-施工總承包)	5.5
Health Care and Featured Town Projects		
1	Zhuoyaaolai Dream Town Project in Weihai of Shandong Province(山東省威海卓亞奧萊夢想小鎮項目)	9.4
2	General Contracting of Fuyang Changkou "Micro Town" Project (富陽場口“微鎮”項目工程總承包項目)	9.3

(II) Property Development Business

1. Industry Overview of Property Industry

In 2020, as industrial reform guided by the policy of “houses should be built for living, not for speculation” has accelerated, housing development shifted from the short-term extensive growth for excessive profit to long-term sustainable development that obtains land rationally, improves efficiency and promotes quality. Affected by COVID-19 pandemic, government authorities in all cities and provinces required work suspension in real estate and construction sites in February 2020, thus the sales departments in various cities were closed. Sales of new houses almost stopped in February and March, but the market gradually restored to normal in April, and business reopen in real estate has accelerated with continuous improvement in production in the industry since May. In terms of market opportunities, even though the pandemic accelerated market segmentation and resource integration in real estate industry, it also brought opportunities for new businesses. Competitions in real estate market will focus on urban layout, brand effect, product quality, and operation and management efficiency of real estate enterprises.

2. The Operating Results of the Business

Weighted by the policies relating to “de-stocking” and “restrictions on property purchase and credit grant” during the Reporting Period, the Company adopted different policies that were tailored to characteristics of each category and of each city, and continuously 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 the year, through market tender, the Company acquired 4 land parcels with site area and permissible gross floor area of 76,300 sq.m. and 145,000 sq.m. respectively. During the Reporting Period, the amount invested by the Company in property development was RMB15.109 billion, representing an increase of 59.89% as compared with that in the corresponding period last year. The new construction area was 1,538,000 sq.m., representing an increase of 85.41% as compared with that in the corresponding period last year, while completed area was 1,055,300 sq.m., representing an increase of 0.11% as compared with that in the corresponding period last year.

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The overall operating results of the property development business in the first half of 2020

Unit: RMB'000

	First half of 2020	% of the total	First half of 2019	Year-on-year increase/decrease
Segment operating revenue	13,110,589	7.10%	10,385,089	26.24%
Gross margin (%)	20.37	-	27.64	Decreased by 7.27 percentage points

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

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

- (1) Zhuhai MCC Yijing Mansion Project. The project is located in the international residential area planned by Hengqin Free Trade Area. The land parcel is the first land parcel solely for residential purpose in the international residential area, and the first land parcel transferred by Hengqin Free Trade Area solely for residential purpose since 2013. The project covers a site area and permissible gross floor area of 170,000 sq.m. and 230,000 sq.m. respectively, with an integrated plot ratio of 1.35. In addition, the project lies against mountain and is faced with sea, which is a scarce low-density landscape residential project in Hengqin New Area and even in Zhuhai. Project phase I started its first sales on 28 June 2018, and began completion acceptance on 22 June 2020; project phase II started its sales on 24 May 2020, and it is in the process of construction of its main structure with completion acceptance to be conducted in June 2021.
- (2) Qinhuangdao Zhongye Dexian Huafu Project. The project is located in Qinhuangdao development zone, which is recognized as popular property development areas in Qinhuangdao. The project covers a site area and permissible gross floor area of 37,600 sq.m. and 74,600 sq.m. respectively, with an integrated plot ratio of 1.98. Its construction was conducted in August 2018, while sales started in October 2019. As a large intelligent community integrating low-density foreign-style houses, small high-rise buildings, and business street covering an area of approximately 30,000 sq.m., office building with high standards and other comprehensive businesses built by MCC in Qinhuangdao after Dexian Mansion was constructed, the project attracted high-end customers who desired to improve their living environment with the concept of green, health and intelligence as well as the brand advantage of the first health experience hall in Qinhuangdao.
- (3) Shijiazhuang Zhongye Dexian Huafu and Dexian Shengshi Plaza Project. Located in Xinhua District, Shijiazhuang City, the project enjoys convenient transportation and favorable geographical location as it sits near Zhonghua Street and North Second Ring Highway. The project covers a site area and permissible gross floor area of 103,200 sq.m. and 332,400 sq.m. respectively, with an integrated plot ratio of 2.8 for residential property and 4.5 for commercial property. Its construction started in April 2019, and sales began in October 2019. The phase I residential houses are expected to be delivered at the end of 2020.

- (4) Qingdao Zhongye Dexian Mansion Project. Located in the West Jimo District, Qingdao, the project enjoys planning advantages in the development of main urban areas in Jimo moving towards west, and has supporting resources such as quality school access resources and industrial markets, making it a popular property project in Jimo District over the past few years. The project covers a site area and permissible gross floor area of 190,100 sq.m. and 359,500 sq.m. respectively, with an integrated plot ratio of 2.0 for residential and commercial land and 1.5 for amusement park. Its construction started in June 2020, and the selling is expected to begin in October 2020. The project was awarded “2020 China TOP 100 Value Property Project” in Seminar for “Trends in Property Market in the First Half of 2020” held by China Real Estate Index System and China Index Academy.

(III) Equipment Manufacturing Business

1. Industry Overview

Even since the “13th Five-year Plan”, China has adopted such strategies as the “Belt and Road Initiative” and Made in China 2025. With the acceleration of industrial transformation and upgrading and structural adjustment, the metallurgy equipment manufacturing industry embraced important reform and development opportunities. In the future, advanced technology, digitalized equipment, intelligent production and green process will become the development trends in China's metallurgy equipment manufacturing industry.

With its structural advantages such as sound mechanical properties and high levels of industrialization and recyclability, steel is extensively applied to areas including super high-rise, large-span spatial structure and infrastructure, and is increasingly valued by governments and recognized in markets. With the rapid development in building industrialization and industrialization of houses with steel structure, building industrialization, standardization and greening represented by fabricated steel structures will become the main development direction in steel structure industry in China 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, repair and other relevant services of metallurgical equipment and its spare parts, steel structures and other metal products.

Closely keeping pace with layout adjustment and industrial upgrading in China's steel industry, the Company adopted energy conservation and environmental protection, green manufacturing and smart manufacturing as breakthrough points to accelerate and facilitate productization and industrialization of core technologies in equipment manufacturing sector. In addition, the Company also integrated competitive upstream and downstream business resources, included core equipment manufacturing into equipment industry park for unified management, put core technologies developed by the Company into fuse box to be sold and delivered along with its products to the “Belt and Road” regions and all over the world, and developed equipment manufacturing business into the “Hard Support” of the national team, the “Incubator” of new products for metallurgical equipment and the “Carrier” for the “MCC Equipment” brand. The Company has seized the great opportunities brought by China's great efforts to promote fabricated steel structure buildings, and facilitate industrial transformation and upgrading, reduce costs and enhance efficiency by making good use of “5G, AI, Internet+” and other technologies. Moreover, the Company will also keep improving its resource allocation in steel structure business to maximize the Company's integration advantages in the whole industry chain integrating R&D, design, production, installation, detection and maintenance in steel structure business so as to build core competitiveness in “MCC Steel Structure” brand on an ongoing basis.

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Over the past few years, construction quality of various steel structures in buildings constructed by the Company all reached leading level in China. In the first half of 2020, 10 steel structure projects constructed by the Company, including construction for section I in phase II expansion of terminal in Haikou Meilan International Airport, phase III project for Nanjing International Expo Center, amusement facility project for section V of Universal Beijing Film Theme Park, were awarded "Steel Structure Gold Award in China" in the 14th "Steel Structure Gold Award in China" by China Construction Metal Structure Association, further displaying influence and core competitiveness of "MCC Steel Structure" brand.

During the Reporting Period, the Company won the bid successively for several projects, including steel structure construction (phase II) for Zhuhai Hengqin Headquarter Building, supply project for steel structure construction in one stadium and three centers of Lanzhou Olympic Sports Center project, steel structure construction for opening ceremony venue of Asian Beach Games in Sanya City, construction project for trestle steel box girder in Laayoune, Morocco, steel structure construction for outdoor viaduct for phase III project of Hangzhou Xiaoshan International Airport, thus further enhancing its market position in high-end steel structure field.

The overall operating results of the equipment manufacturing business in the first half of 2020

Unit: RMB'000

	First half of 2020	% of the total	First half of 2019	Year-on-year increase/decrease
Segment operating revenue	4,794,479	2.60%	3,728,240	28.60%
Gross margin (%)	14.78	-	11.40	Increased by 3.38 percentage points

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

(IV) Resources Development Business

1. Industry Overview

Since the first half of the year, impacts of COVID-19 pandemic, coupled with "anti-globalization" and other factors, have resulted in the great fluctuations in international crude oil and commodity markets in 2020. In March, prices of such metal as LME copper, nickel, lead and zinc dropped rapidly with the lowest price reaching USD4,371/ton, USD10,865/ton, USD1,570/ton, and USD1,763/ton in the market respectively. As China gradually controlled the spread of COVID-19 pandemic, social and economic development resumed to normal status, and major countries in Europe and US introduced various stimulus policies, prices of such metal as LME copper, nickel, lead and zinc recovered unstably in the second quarter. In the first half of 2020, the average price of LME copper, nickel, lead and zinc amounted to USD5,509/ton, USD12,511/ton, USD1,764/ton and USD2,053/ton respectively, but there remained great drop as compared with the average price in corresponding period of 2019 and average price in the whole year of 2019. Given that recession in the world economy in 2020 is a fait accompli, international mining market will be impacted, and mining enterprises will face greater challenges and pressure.

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	Average price in the first half of 2019 (USD/ton)	Average price in the year of 2019 (USD/ton)	Average price in the first half of 2020 (USD/ton)	Increase/ decrease as compared to the first half of 2019	Increase/ decrease as compared to the year of 2019
LME copper	6,181	6,030	5,509	-10.87%	-8.64%
LME nickel	12,392	13,993	12,511	0.96%	-10.59%
LME lead	1,972	2,007	1,764	-10.55%	-12.11%
LME zinc	2,670	2,513	2,053	-23.11%	-18.30%

Source: WIND, LME

2. The Operating Results of the Business

Striving to overcome impacts from COVID-19 pandemic in its resources development business during the Reporting Period, the Company made continuous effort to update prevention and control plan and contingency plan by adopting measures according to local situations and time, strictly implemented various pandemic prevention and control measures, and reserved sufficient supplies for prevention and control, living materials and production materials, so as to ensure that no cases occur within the project sites. Meanwhile, as staff could not returned to project site in China, the Company transferred personnel and resources reasonably to conduct key production, key maintenance and key construction so as to ensure projects were operated normally. Besides, the Company continuously optimized various production technical indicators, and focused on reducing cost and enhancing efficiency to make every possible effort to finish the specified production and operation plan for the whole year.

Overall Operations of Resources Development Business in the first half of 2020

Unit: RMB'000

	First half of 2020	% of the total	First half of 2019	Year-on-year increase/ decrease
Segment operating revenue	1,479,442	0.80%	2,268,661	-34.79%
Gross margin (%)	20.80	-	19.15	Increased by 1.65 percentage points

Note: The statistics of segment operating revenue and gross margin are figures before inter-segment eliminations.

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

(1) Papua New Guinea Ramu Nico Project

As a benchmark project for the world's lateritic nickel mine, the project continued to reach the production target and meet the required standards. In the first half of the year, the project produced nickel cobalt hydroxide, which contained 16,239 tons of nickel and 1,375 tons of cobalt, which are basically equal to those of the corresponding period of 2019. However, due to the impact of the pandemic, the sales of nickel cobalt hydroxide contained 13,664 tons of nickel and 1,166 tons of cobalt, representing a decrease of 14.8% and 21.2% respectively compared to those of the corresponding period of 2019.

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(2) Pakistan Duddar Lead-Zinc Mine Project

In the first half of the year, due to insufficient manpowers arising from failing to return to work under the epidemic situation, and technical renovation, inspection and repair, the project produced 30,809 tons of zinc concentrate and 5,418 tons of lead concentrate, representing a decrease of 15.6% and 16.4% respectively compared to that of the corresponding period of 2019. Meanwhile, restricted by measures introduced by local governments such as shutdown, sales of the site concentrate products had ground to a standstill. As of the end of June, the sales only achieved 24,349 tons of zinc concentrate and 2,952 tons of lead concentrate, representing a decrease of 22.7% and 57.5% respectively compared to those of the corresponding period of last year.

(3) Pakistan Saindak Copper-Gold Mine Project

In the first half of the year, the mining, processing and production of the project exceeded the schedule, and produced 8,353 tonnes of copper concentrate. However, due to the outbreak of COVID-19 epidemic, the Chinese employees of the smelter who were on leave in China were unable to return to work as planned and failed to produce crude copper products in the first half of the year. On 6 June, after implementing strict epidemic prevention and control measures and medical isolation and observation, employees officially returned to work and resumed production. After maintenance test and trial run, the smelter successfully ignited and resumed production on 9 July.

With the recent stabilization and recovery of nickel, copper, lead and zinc prices, the Company's overseas mining projects under production will strive to overcome the impact of the COVID-19 epidemic, strengthen production organization, increase sales efforts, open up sales channels and transportation routes, gradually reduce inventory, and strive to achieve the set production and operating objectives for the whole year.

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

In ferrous metallurgy field, the Company, being a metallurgical engineering contractor with the longest operating history and strongest capabilities in professional design, construction and service in China, has monopolistic and leading advantages with the service capacity for the whole industrial chain from design, manufacturing, construction to operation, so most of the metallurgical engineering projects are designed and constructed by the Company. The Company also masters various leading domestic or even international metallurgical processes and core technologies in consultation, mining and processing, raw material field, coking, sintering, pelletizing, iron-making, steel-making, continuous casting, hot rolling and cold rolling, providing strong technological support for its competitiveness in main industries. Over the past few years, while maintaining its leading role in metallurgical industry, the Company made active effort to expand its business in non-metallurgical engineering and real estate to facilitate transformation and upgrading in its business structure and steadily increase its comprehensive market competitiveness.

In project construction field, the Company, as one of the world's largest engineering contracting companies, has strong construction and technical advantages in housing construction, steel structure, prefabricated buildings, real estate, municipal infrastructure, comprehensive industrial engineering construction and equipment installation.

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In nonferrous metallurgy and resource development field, the Company has established a design institute with the strongest comprehensive strength in nonferrous metallurgy in China, possessed well-developed mine, smelting process and equipment technologies of copper, lead, zinc, nickel and plenty of other metal, and developed digital measurement and geographic information system and geotechnical engineering investigation technology for complicated geological conditions. In terms of metallurgical mining, the Company plays a leading role in large-scale underground iron ore mining technology and large-scale open mining technology in China.

In energy conservation and environmental protection field, the Company embraces such core technologies as complete technology for self-decomposition and stabilization of steel slag, application technology of steel slag powder and steel slag composite powder, and waste-to-energy in disposal of solid waste; complete technological equipment for comprehensive wastewater treatment and reuse in industrial enterprises, nitrogen and phosphorus removal process and sludge reduction technology, and high chroma wastewater treatment technology in sewage treatment. In addition, the Company has mastered activated carbon purification technology, coordinated control technology and equipment for multi-pollutants in sintering flue gas, and fine dust control technology and equipment in smoke-gas treatment, and has developed remediation technology for sites contaminated by volatile organic compounds, semi-volatile organic compounds, pesticides, heavy metals and various pollution factors in ecosystem. Moreover, the Company has created thermochemical power generation technology for low-grade industrial waste gas, technology of safe, clean and efficient power generation with low calorific value gas in metallurgical industry, and cascade heat recovery technology for sintering waste heat in application of low-grade energy.

In emerging industries field, with its one-stop service capability in planning, investigation, design, construction, and operation service in urban integrated pipeline corridor sector, the Company has set up technical and standard system, and developed leading technologies in investigation, multi-disciplinary collaborative design, foundation treatment under complicated conditions, protection and construction of underground obstacles, installation and maintenance of different medium pipelines, intelligent pipeline network, and fabricated steel composite pipeline corridor. With system planning and design capability for one core business and several sectors in the construction of beautiful villages, the Company has created special technology construction of rural roads, complete technology of domestic sewage treatment, and treatment technology for solid waste (livestock manure), and has developed tailored product system designed for resources in villages. In smart city field, the Company has developed a number of technologies, including intelligent energy, intelligent pipeline network, intelligent water, monitoring on environmental protection, intelligent transformer substation, and intelligent parking management. Built technical and standard system in sponge city with a number of such patented technologies as drainage kerb and asphalt road with drainage structure, the Company has created model and technology for rain and flood in sponge city covering complete technology in the low influences in "permeation, retention, storage, purification, application and drainage". In the field of construction for theme park, the Company has built new materials for theme park and construction technical and standard system for theme park, developed a series of products in painted paint, epoxy glass fiber reinforced plastic, acid soft color agent and spray mortar, and created construction method of plastic stone rockery in theme park, GRC construction technology and application method, and wastewater discharge technology and treatment method for construction of large plastic stone rockery. In the field of treatment for water environment, the Company has developed core technologies in water environment management and ecological restoration of rivers and lakes, treatment and reuse of industrial wastewater, construction and operation of urban sewage treatment pipeline network, efficient water treatment equipment and biological agents, including synergistic removal technology for biological nitrogen and phosphorus removal from sewage, treatment technology for high chroma wastewater, efficient clarification and chemical degreasing technology, highly efficient self-priming hybrid surface aeration equipment and technology. In the field of healthcare and senior care, the Company set up standards for the construction of a livable environment for the elderly and other technical and standard system in healthcare and senior care industry, developed "Health Keeper" application system, and created application technology for information integration in intelligent healthcare and senior care community and application technology of senior care building ecological environment system. In the field of fabricated building, the Company has established Chinese National Engineering Research Centre for Steel Construction, obtained recognition for 5 fabricated building industrial bases from the Ministry of Housing and Urban-Rural Development, developed fabricated concrete structural system, fabricated steel-mixed structure system, fabricated low-energy building system with MCC characteristics, and fully grasped design method of fabricated integral concrete structure as well as design, manufacturing and modular installation technology in fabricated steel structure.

No major changes in the Company's core competitiveness occurred during the Reporting Period.

Discussion and Analysis on Business Operations

I. BUSINESS DISCUSSION AND ANALYSIS

During the Reporting Period, the Company realized operating revenue of RMB180,565,193 thousand with a year-on-year growth of 13.55%, total profit of RMB5,503,385 thousand with a year-on-year growth of 12.72%, and net profit attributable to the Shareholders of the listed company of RMB3,591,925 thousand with a year-on-year growth of 13.78%.

II. MAJOR OPERATING BUSINESS DURING THE REPORTING PERIOD

(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	180,565,193	159,017,379	13.55
Operating costs	161,154,787	141,523,492	13.87
Selling expenses	971,393	1,030,968	-5.78
Administrative expenses	4,072,741	4,147,974	-1.81
Financial expenses	1,234,863	1,683,808	-26.66
Research and development expenses	4,127,934	3,716,817	11.06
Net cash flows from operating activities	1,414,017	(5,232,028)	N/A
Net cash flows from investing activities	(3,591,222)	(3,345,769)	N/A
Net cash flows from financing activities	10,230,765	1,832,277	458.36

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 decrease in market development expenses such as staff expenses, advertising and sale service fees, and travelling expenses.

Explanation of change in administrative expenses: Mainly due to decrease of travelling expenses, office expenses and other expenses.

Explanation of change in financial expenses: Due to decrease in interest expenses caused by the reduction of market rate for the current period.

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 increase in cash outflow from the payment of investment activities.

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

Discussion and Analysis on Business Operations

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 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 Company's adjustments to the business fields and regional market strategies were, to a certain extent, a result by following the structure adjustment and upgrade of the steel and iron industry, the implementation of "Made in China 2025", a nation strengthening strategy focusing on manufacturing industries, and the implementation of regulatory policies for the property industry, periodic fluctuations of the industries and changes in the operating situation of upstream and downstream enterprises of the industries, which thereby affected the Company's internal business structure and in return affected its financial position.

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for the first half of 2020.

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.

Discussion and Analysis on Business Operations

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

4) Overseas tax policies and their changes

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

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

The Company may, according to the different situations of engineering contracting projects, subcontract non-crucial construction parts to subcontractors. On 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 of the Company.

7) Operation of subsidiaries and key projects

The final result of the third party's audit 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, 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.

Discussion and Analysis on Business Operations

9) Uneven distribution of revenue

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

(2) Major business by segment and region

1) Major business by segment

Unit: RMB'000

Segment	Information of principal business by segment			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 profit margin as compared to that of previous period
	Operating revenue	Operating costs	Gross Margin(%)			
Engineering contracting	163,537,270	147,847,781	9.59	12.73	12.47	Increased by 0.20 percentage points
Property development	13,110,589	10,439,747	20.37	26.24	38.93	Decreased by 7.27 percentage points
Equipment manufacture	4,794,479	4,085,988	14.78	28.60	23.70	Increased by 3.38 percentage points
Resource development	1,479,442	1,171,729	20.80	-34.79	-36.11	Increased by 1.65 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 2020 and for the first half of 2019 were 9.59% and 9.39%, respectively, with a year-on-year increase of 0.20 percentage point. The increase was mainly due to the Company's strengthening of project management and improvement of project income.

Discussion and Analysis on Business Operations

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	First half of 2020		First half of 2019		First half of 2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	31,763,810	19.42	29,393,644	20.26	26,233,380	23.58
Housing construction engineering	83,477,320	51.04	67,438,866	46.49	43,267,674	38.90
Transportation infrastructure	32,043,668	19.59	31,022,810	21.38	27,745,846	24.94

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

② Property development business

For the first half of 2020 and the first half of 2019, the total gross profit margins of the Company's property development business were 20.37% and 27.64% respectively, with a year-on-year decrease of 7.27 percentage points, mainly due to factors such as 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. For the first half of 2020 and the first half of 2019, the gross profit margins of the Company's equipment manufacture business were 14.78% and 11.40%, respectively, representing an increase of 3.38 percentage points as compared with the same period last year.

④ Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶集團銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司), among others, were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中硅高科技有限公司), the polysilicon manufacturing enterprise, was mainly engaged in the processing business. For the first half of 2020 and the first half of 2019, the gross profit margins of the Company's resource development business were 20.80% and 19.15%, respectively, representing an increase of 1.65 percentage points as compared with the same period last year, mainly due to changes in international commodity prices and the Company's strengthening implementation of cost management measures.

2) Major business by region

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

Discussion and Analysis on Business Operations

(3) Table of analysis on costs

Unit: RMB'000

Situation by segment

Segment	Costs component items	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	147,847,781	89.65	131,450,459	90.29	12.47
Property development	Operating costs	10,439,747	6.33	7,514,380	5.16	38.93
Equipment manufacture	Operating costs	4,085,989	2.48	3,303,118	2.27	23.70
Resource development	Operating costs	1,171,729	0.71	1,834,103	1.26	-36.11

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

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	First half of 2020		First half of 2019		First half of 2018	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	72,169,168	48.81	63,866,006	48.59	48,729,406	48.47
Materials expenses	54,184,012	36.65	45,008,851	34.24	34,485,560	34.30
Labour costs	8,182,285	5.53	9,228,230	7.02	7,126,202	7.09
Machinery usage fees	2,789,954	1.89	2,561,410	1.95	1,908,568	1.90
Others	10,522,362	7.12	10,785,962	8.20	8,279,185	8.24
Total engineering cost	147,847,781	100.00	131,450,459	100.00	100,528,921	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.

Discussion and Analysis on Business Operations

(4) Information of major customers and major suppliers

The sales of top five customers amounted to RMB9,740,375 thousand, accounting for 5.39% of the total sales of the Reporting Period; among them, no sales of top five customers is derived from sales to related parties.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue (%)
Unit 1	3,243,204	1.80
Unit 2	2,080,593	1.15
Unit 3	1,539,892	0.85
Unit 4	1,484,966	0.82
Unit 5	1,391,720	0.77
Total	9,740,375	5.39

The procurement of top five suppliers amounted to RMB3,355,534 thousand, accounting for 2.08% of the operating costs of the Reporting Period; in particular, procurement from related parties under the procurement of top five suppliers amounted to RMB1,243,173 thousand, accounting for 0.77% of total procurement of the Reporting Period.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs (%)
Supplier 1	1,243,173	0.77
Supplier 2	944,893	0.59
Supplier 3	468,394	0.29
Supplier 4	352,600	0.22
Supplier 5	346,474	0.21
Total	3,355,534	2.08

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 2020 and 2019, the Company's selling expenses were RMB971,393 thousand and RMB1,030,968 thousand respectively, representing a year-on-year decrease of 5.78%.

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses, office expenses and travelling expenses. For the first half of 2020 and the first half of 2019, the Company's administrative expenses were RMB4,072,741 thousand and RMB4,147,974 thousand respectively, representing a year-on-year decrease of 1.81%.

Discussion and Analysis on Business Operations

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. For the first half of 2020 and the first half of 2019, the Company's financial expenses were RMB1,234,863 thousand and RMB1,683,808 thousand respectively, representing a year-on-year decrease of 26.66%.

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	4,127,934
Total research and development expenditure	4,127,934
Proportion of total research and development expenditure to operating income (%)	2.29

5. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	January to June 2020	January to June 2019
Net cash flows from operating activities	1,414,017	(5,232,028)
Net cash flows from investing activities	(3,591,222)	(3,345,769)
Net cash flows from financing activities	10,230,765	1,832,277

(1) Operating activities

For the first half of 2020 and the first half of 2019, the Company's net cash flows generated from operating activities amounted to RMB1,414,017 thousand and RMB-5,232,028 thousand respectively. For the first half of 2020 and the first half of 2019, the cash inflow generated from operating activities mainly came from the cash received 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

For the first half of 2020 and the first half of 2019, the Company's net cash flows generated from investing activities amounted to RMB-3,591,222 thousand and RMB-3,345,769 thousand. 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 received 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.

Discussion and Analysis on Business Operations

(3) Financing activities

For the first half of 2020 and the first half of 2019, the Company's net cash flows generated from financing activities amounted to RMB10,230,765 thousand and RMB1,832,277 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. Cash outflow mainly consisted of cash on repayment of debts and interest.

6. Detailed statement of significant changes in the composition or source of the Company's profits

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	30 June 2020	Proportion of the amount at the end of the current period with respect to the total assets/total liabilities (%)	31 December 2019	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	372,051,373	76.13	347,435,959	75.78	7.08
Cash and bank balances	50,709,606	10.38	43,677,662	9.53	16.10
Accounts receivable	69,017,865	14.12	66,026,606	14.40	4.53
Prepayments	28,499,461	5.83	24,705,845	5.39	15.36
Other receivables	54,599,922	11.17	57,290,123	12.49	-4.70
Inventories	59,584,857	12.19	60,636,905	13.22	-1.73
Contract assets	86,538,016	17.71	72,800,575	15.88	18.87
Non-current assets due	116,661,813	23.87	111,070,254	24.22	5.03
Long-term receivables	26,848,658	5.49	24,326,794	5.31	10.37
Fixed assets	25,407,960	5.20	26,121,239	5.70	-2.73
Intangible assets	16,562,278	3.39	15,796,873	3.45	4.85
TOTAL ASSETS	488,713,186	100.00	458,506,213	100.00	6.59
Current Liabilities	331,757,706	89.67	305,923,537	89.56	8.44
Short-term borrowings	56,380,402	15.24	40,476,556	11.85	39.29
Bills payable	34,888,098	9.43	31,487,132	9.22	10.80
Accounts payable	129,103,476	34.90	115,855,013	33.92	11.44
Contract liabilities	62,562,949	16.91	64,595,970	18.91	-3.15
Non-current liabilities	38,214,603	10.33	35,677,168	10.44	7.11
Long-term borrowings	30,994,905	8.38	27,219,615	7.97	13.87
TOTAL LIABILITIES	369,972,309	100.00	341,600,705	100.00	8.31

Discussion and Analysis on Business Operations

Analysis on assets and liabilities:

(1) *Analysis on the structure of assets*

Cash and bank balances

As at 30 June 2020 and 31 December 2019, the cash and bank balances of the Company were RMB50,709,606 thousand and RMB43,677,662 thousand, respectively, representing an increase of 16.10%.

As at 30 June 2020 and 31 December 2019, the restricted cash and bank balances of the Company were RMB10,777,705 thousand and RMB11,862,762 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 2020 and 31 December 2019, the Company's net accounts receivable were RMB69,017,865 thousand and RMB66,026,606 thousand respectively, representing an increase of 4.53%. On the one hand, this was mainly due to the increase in current income by 13.55% as compared to the same period of last year and the increase in trade receivables; on the other hand, the Company always attaches great importance to the safety and integrity of accounts receivable and adopts strong measures to clear up debts, collects each of the receivables timely based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to receivables with potential risks in collectability, but the efforts put to collect the receivables will not be affected.

Prepayments

As at 30 June 2020 and 31 December 2019, the Company's net prepayments amounted to RMB28,499,461 thousand and RMB24,705,845 thousand, respectively, representing an increase of 15.36%, mainly attributable to the increase in the Company's prepayments for subcontractor's works and purchases of goods.

Other receivables

As at 30 June 2020 and 31 December 2019, the Company's net amount of other receivables were RMB54,599,922 thousand and RMB57,290,123 thousand, representing a decrease of 4.70%, mainly attributable to the decrease in borrowings granted to related parties 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 2020, the Company's net inventories were RMB59,584,857 thousand. As at 31 December 2019, the Company's net inventories were RMB60,636,905 thousand, representing a decrease of 1.73%.

Discussion and Analysis on Business Operations

Contract assets

The contract assets are mainly related to engineering contracting service. As at 30 June 2020 and 31 December 2019, the net contract assets of the Company were RMB86,538,016 thousand and RMB72,800,575 thousand respectively, representing an increase of 18.87%, mainly attributable to the increase in contract assets related to the engineering contracting services.

Long-term receivables

As at 30 June 2020 and 31 December 2019, the net long-term receivables of the Company amounted to RMB26,848,658 thousand and RMB24,326,794 thousand, respectively, representing an increase of 10.37%, mainly attributable to the increase in long-term construction receivables of the Company.

(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 2020 and 31 December 2019, the carrying amount of the Company's short-term borrowings were RMB56,380,402 thousand and RMB40,476,556 thousand, respectively, with a year-on year increase of 39.29%. As at 30 June 2020 and 31 December 2019, the carrying amount of the Company's long-term borrowings were RMB30,994,905 thousand and RMB27,219,615 thousand, respectively, with an increase of 13.87%.

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 2020 and 31 December 2019, the Company's carrying value of accounts payable were RMB129,103,476 thousand and RMB115,855,013 thousand respectively with an increase of 11.44%.

Contract liabilities

The contract liabilities mainly included engineering contracting service contracts, sales contracts and related contract liabilities. As at 30 June 2020 and 31 December 2019, the carrying amount of the Company's contract liabilities was RMB62,562,949 thousand and RMB64,595,970 thousand, with a decrease of 3.15%.

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

For more details, please refer to Note VII 70 to the "Financial Report" of this report.

Discussion and Analysis on Business Operations

(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	Metallurgical engineering	Others	Total
Number of projects (Unit)	1,432	336	1,414	551	3,733
Total amount	3,772,664	3,545,437	7,595,240	1,478,383	16,391,724

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	3,655	78	3,733
Total amount	15,961,924	429,800	16,391,724

2. Projects under construction during the Reporting Period

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Metallurgical engineering	Others	Total
Number of projects (Unit)	3,722	2,510	4,111	1,509	11,852
Total amount	70,502,980	31,787,591	32,602,005	15,804,887	150,697,463

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	11,178	674	11,852
Total amount	144,566,743	6,130,720	150,697,463

3. Substantial projects under construction

Applicable Not applicable

Discussion and Analysis on Business Operations

4. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total
Asia	506	5,250,512
Africa	97	646,471
South America	53	536,530
Europe	45	51,415
Oceania	29	53,300
North America	22	22,292
Total	752	6,560,520

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

5. Financing arrangements of the Company

As at the end of the Reporting Period, the balance of debt financing and financing by other equity instruments of the Company amounted to RMB125.763 billion, representing an increase of 10.68% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. In particular, the balances of debt financing and financing by other equity instruments amounted to RMB96.399 billion and RMB29.364 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 RMB64.343 billion and RMB61.420 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., MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) jointly established Yingtan MCC-CIF Industrial Development Partnership (LP) on 22 December 2017. The total subscribed contribution is RMB18,000.16 million in cash, among which the subscribed contribution of MCC, being a limited partner, is RMB8,800 million or 48.8885%; the subscribed contribution of China Credit Trust Co., Ltd., being a limited partner, is RMB9,200 million or 51.1107%; MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) are general and executive partners and their subscribed contributions are RMB80 thousand or 0.0004%, respectively. During the Reporting Period, no additional paid-in capital contribution of the Company was made.

(V) Investment analysis

1. General Analysis of External Equity Investments

As of 30 June 2020 and 31 December 2019, the net financial assets held for trading of the Company were RMB2,284,333 thousand and RMB2,162,432 thousand, respectively, representing a year-on-year increase of 5.64%. As of 30 June 2020 and 31 December 2019, the net long-term equity investments of the Company were RMB23,265,626 thousand and RMB21,834,366 thousand, respectively, representing a year-on-year increase of 6.56%. As of 30 June 2020 and 31 December 2019, net investment in other equity instruments of the Company were RMB1,822,321 thousand and RMB1,871,747 thousand, respectively, representing a year-on-year decrease of 2.64%. As of 30 June 2020 and 31 December 2019, the net investment in other non-current financial assets of the Company was RMB4,292,774 thousand and RMB4,171,068 thousand, respectively, representing an increase of 2.92%.

Discussion and Analysis on Business Operations

For details, please refer to Note VII 2, 14, 15, 16 to “Financial Statements” 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*

For details, please refer to Note XI to “Financial Statements” in this report.

(VI) Disposal of substantial assets and equity interest

Applicable Not applicable

(VII) Analysis of major controlled companies and investees

For details, please refer to Note IX to “Financial Statements” in this report.

(VIII) Structured entities under the control of the Company

Applicable Not applicable

III. OTHER DISCLOSURE

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

Applicable Not applicable

(II) Possible Risks

1. Risks associated with macro-economy

The Company's main businesses such as project contracting and real estate development are greatly affected by the national macroeconomic operation, fixed asset investment, competition in the construction industry, urbanization and other external factors. Since the beginning of this year, the COVID-19 outbreak has accelerated changes in the external market situation. The epidemic interrupted the process of global recovery, and the global economy may be in its worst slump since the Great Depression. The economic and social development of our country are posed unprecedented challenges, and the business environment in which enterprises operate has undergone profound changes. The epidemic is not only a test of the risk tolerance of an enterprise, but also a test of its daily business capacity and the ability to respond to challenges. Increasing pressure brought by the economy downward has led to increased risks such as business difficulties and debt default of enterprises. Some small and medium-sized enterprises are facing increasing operating risks and it is necessary to pay high attention to the operating risks of cooperative enterprises on the industrial chain, especially small and medium-sized enterprises. The epidemic has a direct impact on real estate sales. In order to promote sales and withdraw funds as soon as possible, real estate companies are under pressure to reduce prices and promote sales. In addition, the spread of overseas epidemics has caused difficulties in market development and project implementation, and has also posed a threat to lives and health of overseas personnel. The external macroeconomic situation is uncertain and more complex and changeable, which will bring greater challenges to the business development of the Company.

The Company will make reasonable expectations and adjust its business strategy in due time, make full use of positive development conditions, seize opportunities, effectively avoid risks, and promote high-quality development of the Company.

Discussion and Analysis on Business Operations

2. Risks associated with traditional metallurgical engineering business segment

In recent years, the global steel industry has entered the third period of in-depth adjustment. The goal to speed up the construction of a manufacturing power and strengthen environmental pollution prevention and control made higher requirements on the steel industry. The recovery of the iron and steel industry will promote the iron and steel industry to accelerate the pace of environmental protection transformation, structural adjustment, transformation and upgrading. At present, the main contradictions faced by the iron and steel industry have been transformed into inadaptation between industrial structure and competitive market demand, and inadaptation between the level of green development and ecological environment demand. Companies are facing new opportunities and challenges brought by 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 and push forward the integration of internal resources and professional echelon division, in order to continuously increase the competitiveness and influence of the Company in the global iron and steel engineering technology sector. In recent years, while focusing on new production capacity, the Company has paid attention to the technological transformation of its existing production capacity, and continuously enhanced its efforts on transformation from traditional metallurgical engineering field to fundamental construction area and emerging markets to expand its market share. The amount of newly signed contracted value of metallurgical engineering fell below 20% of the total amount of newly signed contracted value by the Company, which shows that the Company successfully completed business transformation and effectively defused the risk associated with metallurgical engineering market.

3. Risks associated with the non-steel engineering segment

Unlike the traditional metallurgical engineering market, the overall growth of investment in fixed assets slowed down and the competition in the non-steel engineering market is increasingly competitive. The state has successively introduced relevant policies to continuously increase its investment in municipal infrastructure construction. The total market volume of highways and railways will remain at a high level for a period of time. New municipal engineering projects such as urban rail transit, sewage and garbage treatment, subterranean pipeline corridor 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, standardized 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 F+EPC model, 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.

Discussion and Analysis on Business Operations

4. Risks associated with the property development business segment

In 2020, under the influence of COVID-19, the central government maintained its regulation and control on real estate policies. During the NPC & CPPCC sessions, it was emphasized that “housing is for accommodation, not for speculation”, and the governments must implement differentiated policies for different cities, improve the market-oriented allocation of factors such as land, population, and capital, release mid-term and long-term benefits, and meanwhile accelerate the implementation of regional development strategies, promote coordinated development among districts, strengthen financial support for stable enterprises, and focus on “Six Stabilities” and “Six Guarantees”.

In the long run, in the context of the high-quality development of China’s economy and real estate industry, housing development will shift from a short-term extensive growth in pursuit of huge profits to a long-term sustainable development which requires rational land acquisition, efficiency improvement, and quality improvement. As market competition intensifies, the regulatory policies and financing environment of the real estate industry will generally remain strict. The polarization of corporate sales performance will also accelerate changes of the industry structure and the continuous improvement of market concentration. The threshold of each echelon of real estate enterprises will be raised, and the pattern that powerful companies will keep powerful has not be overturned. The superposition effect of scale advantage will be continuously enlarged. The real estate industry is expected to be generally stable and the trend of structural differentiation will not change. In the future, improving operational efficiency and quality and ensuring the security of the capital chain are still important tasks for most real estate companies.

The Company will further accelerate the strategic upgrade of shifting from a “real estate developer” to an “urban operator”, create a unique urban operation model, actively adapt to the requirements of the situation and market changes, keep a close eye on the core city layout, and follow the path of differentiated and quality development. It will optimize land acquiring method, seize the current favorable opportunities for industry integration, and actively acquires scarce land in the central location of core cities or construction land around central cities through reconstructing old city, regional development, strategic cooperation, and headquarters economy, so as to increase strategic land reserves and reduce land acquisition costs. In the process of project development, we will do a good job in project planning, improve project quality, ensure the realization of expected benefits, and effectively respond to risks associated with the real estate development business segment.

5. Risks associated with the financial sector

The international financial situation is still complex, as the overseas epidemic spread has not seen an inflection point, the impact of Sino-US trade frictions still persists, trading system and free trade principle lasting for years are now under threat of unilateralism, protectionism and economic hegemonism, and the foreign exchange rates and interest rates fluctuate with uncertainty.

The Company will continue to optimize its financing structure, pay close attention to exchange rate changes, strengthen management and control of foreign exchange risk exposure, carry out foreign exchange hedging business only for the purpose of hedging in a timely and effective method. It is determined not to engage in speculative arbitrage, and meanwhile take multiple measures to save financial costs and increase capital efficiency.

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 as well as the changing market needs and may fluctuate in varying degrees and thus affect the production and operation costs, income and profits of the Company.

Discussion and Analysis on Business Operations

In response to the market price of bulk commodities, the Company strengthened the research and forecast on the trends and policies, and made appropriate adjustments for procurement and sales strategies. At the same time, the Company will strengthen its efforts on process improvement to further improve output, and strengthen the costs control management, further 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, COVID-19 and etc., which may subject overseas businesses of the Company to certain risks and may lead to the project suspension, cost increases, the failure of projects to be completed on schedule or occurrence of claims and disputes. These will affect the revenue and profits of overseas businesses of the Company.

The Company will urge all subsidiaries and overseas institutions to conduct in-depth research on the policies, regulations and human environment where overseas projects are located, establish good cooperative relationship with local governments and property owners, and speed up the pace of localization; continue to carry out contract review before tendering, and conduct risk review for major overseas projects before tendering and implement the risk management mechanism during the implementation process, improve the emergency plan for overseas engineering projects. In the context of the normalization of the epidemic, the Company will stick to the contract and do its best to fulfill the contract on schedule. On the other hand, it will protect its own interests in accordance with provisions in connection with force majeure and otherwise, and strive to reduce the risks of international operations.

8. *Environmental and social risks*

Fully intensifying ecological and environmental protection, striving to win the battle of pollution prevention and control, and insisting on green development has become important national strategies. 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 winning the battle of pollution prevention and control, and 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. The construction enterprises affiliated to the Company, shall carry out in-depth environmental friendly construction, and push forward the work process of "four conservations in energy, land, water and resources and one protection" in full efforts; and the production enterprises affiliated to the Company, shall increase the utilization efficiency of the resources through technology innovation, so as to reduce the emission of pollutants and enhance clean production.

Discussion and Analysis on Business Operations

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, the Company has formulated a set of relatively complete confidentiality system, including: "Administrative Measures for Protecting State Secrets" (《保守國家秘密管理辦法》), "Administrative Measures on Commercial Secrets" (《商業秘密管理辦法》), "Confidential Responsibility Accountability Measures" (《保密工作責任追究辦法》), "Implementation Rules for the Carriers of State Secrets and Commercial Secrets" (《國家秘密和商業秘密載體實施細則》), "Detailed Implementation Rules for the Early Entry Management of Confidentiality Work for Major Projects" (《重大項目保密工作先期進入管理實施細則》), "Detailed Implementation Rules for the Management of Secret-related Personnel of Headquarters" (《總部涉密人員管理實施細則》), "Implementation Rules for Exchange of Confidential Information" (《機要交換工作實施細則》), "Implementation Rules for the Management of Meetings Involving Confidential Information of Headquarters" (《總部涉密會議保密管理實施細則》).

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

10. Cyber risk and security

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

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

Significant Events

I. 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
2020 first extraordinary general meeting	29 April 2020	www.sse.com.cn www.hkexnews.hk	30 April 2020
2019 annual general meeting	29 June 2020	www.sse.com.cn www.hkexnews.hk	30 June 2020

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 29 April 2020, the Company convened the 2020 first extraordinary general meeting, at which Zhang Zhaoxiang, Lin Jinzhen, both being Directors of the Company, Cao Xiuyun, Zhang Yandi, Chu Zhiqi, all being Supervisors of the Company, and Zeng Gang, being the secretary to the Board attended; other senior management personnel of the Company attended the meeting without voting rights. Two ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Election of Mr. Ng, Kar Ling Johnny as the Independent Non-executive Directors of the Third Session of the Board of the Company" and the "Resolution on the Adjustment of the Emoluments of Independent Directors of MCC".

On 29 June 2020, the Company convened the 2019 annual general meeting, at which Zhang Zhaoxiang, Lin Jinzhen, both being Directors of the Company, Cao Xiuyun, Zhang Yandi, Chu Zhiqi, all being Supervisors of the Company, and Zeng Gang, being the secretary to the Board attended; other senior management personnel of the Company attended the meeting without voting rights. Seven ordinary resolutions were considered and approved at the meeting, including the "Resolution on the Work Report of the Board of MCC for the Year 2019", the "Resolution on the Work Report of the Supervisory Committee of MCC for the Year 2019", the "Resolution on the Report of MCC on Final Accounts for the Year 2019", the "Resolution on Profit Distribution of MCC for the Year 2019", the "Resolution in relation to the Emoluments of Directors and Supervisors of MCC for the Year 2019", the "Resolution on the Guarantee Plan of MCC for the Year 2020", the "Resolution on the Appointment of the Auditor of the Financial Report and Internal Control Auditor of the Company for the Year 2020"; two 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 and the Rules of Procedures for General Meetings". The "Work Report of Independent Directors for the Year 2019" was heard at the meeting.

II. PROPOSALS ON PROFIT DISTRIBUTION OR TRANSFER OF CAPITAL RESERVE

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

Any distribution or transfer

No

Significant Events

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

Background of undertaking	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 and prevention of 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	<ol style="list-style-type: none"> 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. Upon the completion of the acquisition, China Minmetals and other controlled companies will not, in whatever form, directly or indirectly, engage in the 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 MCC. China Minmetals will supervise its controlled companies and adopt certain measures when necessary. 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. 	17 February 2016	No	Yes	-	-

Significant Events

Background of undertaking	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
			<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> <p>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.</p> <p>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.</p>					
Undertakings in relation to the corporate bonds	Others	MCC	During the renewable period of Corporate Bonds (First Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd.* ("2017 Corporate Bonds"), if the Company does not expect to pay the principal 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	-	-

Significant Events

Background of undertaking	Type of undertaking	Undertaking party	Details of undertaking	Date and duration of undertaking	Whether there is a time limit for performance	Whether it is strictly performed in a timely manner	If not performed timely, specify the reasons in details	If not performed timely, specify further plans
			During the renewable period of 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 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 Corporate Bonds and 2018 Corporate Bonds	Yes	Yes	-	-

IV. APPOINTMENT AND DISMISSAL OF ACCOUNTING FIRM

Appointment and Dismissal of Accounting Firm

Deloitte Touche Tohmatsu CPA LLP (Special General Partnership) is the auditor of financial report and internal control auditor of the Company for the year 2019 and has been the auditor of the Company for six years. Considering the needs of the Company's business development and annual audit work, upon the approval at the 2019 annual general meeting of the Company, we engaged WUYIGE Certified Public Accountants LLP as the auditor of the financial report of the Company for the year 2020, the auditor of the interim financial report and the internal control auditor of the Company for the year 2020, and authorized the Board to determine its emoluments.

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 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

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

Applicable Not applicable

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

Equity incentives

Applicable Not applicable

Employee stock ownership plan

Applicable Not applicable

Other incentives measures

After CISDI Group Co., Ltd., China ENFI Engineering Co., Ltd., China MCC 17 Group Co., Ltd. and WISDRI Engineering & Research Incorporation Limited, all being subsidiaries of the Company, have been included in the list of "Double Hundred Enterprises", MCC Capital Engineering & Research Incorporation Limited was included in the "Model Action for Scientific Reform". The above five subsidiaries have plans to carry out mixed ownership reform and employee stock ownership for their subsidiaries.

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 Guidelines for the Implementation of Equity Incentives of Listed Companies Controlled by Central Enterprises, and will consider and develop equity incentive plan based on the actual conditions of the Company. As the plan is now under preparation, specific plan contents and schedule are to be determined. Relevant plan is to be implemented after it has been submitted to and approved by SASAC and the institutions at high levels. The Company will perform the obligation of information disclosure in a timely fashion according to work progress.

Significant Events

X. MATERIAL CONNECTED TRANSACTIONS

(I) Connected transactions related to daily operation

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

Applicable Not applicable

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

Applicable Not applicable

3. **Events not disclosed in temporary announcements**

Unit: RMB'000

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Annual caps for 2020	Price of connected transaction	Amount of connected transaction	Percentage to similar transactions (%)	Payment method for connected transaction	Market price	Reason for 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 materials- income	Agreed price	1,177,000	-	874,017	13.93	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Purchase of commodities	Purchase and sales of materials- expense	Agreed price	13,187,000	-	3,214,247	5.86	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Engineering construction - income	Agreed price	17,962,000	-	536,977	0.33	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Acceptance of labour	Engineering construction - expense	Agreed price	5,817,000	-	17,440	0.02	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Metallurgy and management services-income	Agreed price	533,000	-	16,452	0.09	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Provision of labour services	Metallurgy and management services-expenses	Agreed price	42,000	-	7,958	0.05	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Interest expenses	Industrial financing services costs- financial assistance	Agreed price	1,600,000	-	46,580	2.43	-	-	-
China Minmetals and its subsidiaries (Except MCC)	Indirect controlling shareholder	Other outflow	Property leasing - expenses	Lease contracts	247,000	-	31,127	23.61	-	-	-

Significant Events

Party to connected transaction	Connected relationship	Type of connected transaction	Content of connected transaction	Pricing principle of connected transaction	Annual caps for 2020	Price of connected transaction	Amount of connected transaction	Percentage to similar transactions (%)	Payment method for connected transaction	Market price	Reason for significant difference between transaction price and reference market price
MCC Ruimu Ampere Technology Limited	Fellow subsidiary	Borrowings to related parties	Financial services—daily maximum balance of provision of loan and bill discounting services	Agreed price	800,000	-	300,000	-	-	-	-
MCC Ruimu Ampere Technology Limited	Fellow subsidiary	Borrowings to related parties	Financial services—daily maximum balance of provision of financial leasing services	Agreed price	500,000	-	430,590	-	-	-	-
MCC Ruimu Ampere Technology Limited	Fellow subsidiary	Interest income	Financial services—interest and rent	Agreed price	88,000	-	14,234	2.13	-	-	-
Total				/	/	/	5,489,622	/	/	/	/
Details of return of sold goods in large quantities											N/A
Description of connected transaction											N/A

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

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

Applicable Not applicable

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

On 31 March 2020, the “Resolution on the Proposed Acquisition by MCC Real Estate of 50% equity interest in MCC Mingheng from Minmetals Trust” was considered and approved at the 14th meeting of the third session of the Board of the Company, approving MCC Real Estate to purchase 50% equity interest in Zhuhai MCC Mingheng Real Estate Co., Ltd.* from Minmetals International Trust Co., Ltd.* by agreement, at a purchase price not exceed 50% of the assessed value of MCC Mingheng’s net assets (i.e., RMB42.1412 million). After the acquisition, the registered capital of MCC Mingheng is RMB60 million, which is 100% owned by MCC Real Estate. For details, please refer to the “Potential Connected Transaction – Acquisition of 50% Equity Interest in MCC Mingheng” disclosed by the Company on 31 March 2020.

Significant Events

On 20 April 2020, MCC Real Estate and Minmetals International Trust Co., Ltd.* entered into the Equity Transfer Agreement, which stipulates the following: (1) Transfer target: 50% equity interest in MCC Mingheng held by Minmetals Trust (corresponding registered capital: RMB30 million); (2) Equity transfer consideration: RMB36,511,839.96; (3) Form of payment: MCC Real Estate shall pay the full amount of the consideration to Minmetals Trust in a lump sum on 20 April 2020. For details, please refer to the “Connected Transaction – Acquisition of 50% Equity Interest in MCC Mingheng” disclosed by the Company on 21 April 2020.

3. Events not disclosed in temporary announcements

Applicable Not applicable

4. Business results of the Reporting Period shall be disclosed as agreed involving the results

Applicable Not applicable

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

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

Event overview

Enquiry index

On 25 December 2019, at the 10th meeting of the third session of the Board of the Company, the “Resolution on the Capital Increase to Genertec Minmetals Hospital through assets by MCC 5, MCC 17 and MCC 19” was considered and approved, approving China MCC 5 Group Co., Ltd. (MCC 5), China MCC 17 Group Co., Ltd. (MCC 17) and China MCC 19 Group Co., Ltd. (MCC 19) to contribute with their own hospital assets, and jointly increase the capital of Genertec Minmetals Hospital Management (Beijing) Company Limited by non-public agreement with Minmetals Assets Management Company Limited, Genertec Universal Hospital Investment & Management (Tianjin) Co., Ltd., CITIC Capital Equity Investment (Tianjin) Corporation Limited and Minmetals Innovation Investment Company Limited. Among them, the amount of the capital increase of the MCC 5 was RMB65.3395 million, the amount of the capital increase of China MCC 17 was RMB36.3117 million, and the amount of the capital increase of MCC19 was RMB73.4255 million. The parties signed an additional agreement on 2 June.

For details, please refer to the Announcement on “Connected Transaction-Capital Increase in Genertec Minmetals” disclosed by the Company on 2 June 2020.

Significant Events

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

- (1) On 20 January 2020, at the 12th meeting of the third session of the Board of the Company, the “Resolution on the Implementation of the Relocation and Construction Project of Wuchuan People’s Hospital by MCC Urban Investment in PPP Model” and the “Resolution on the Participation of the Overall Relocation and Construction Project of Wuchuan Hospital of Traditional Chinese Medicine by MCC Urban Investment in PPP Model” were considered and approved. Pursuant to the resolutions, MCC Urban Investment Holding Co., Ltd. (“MCC Urban Investment”) (as the lead party), was approved to form the Consortium with Minmetals Kingdon Equity Investment Fund Management Co., Ltd. (“Minmetals Kingdon”) to jointly participate in the open tendering and bidding for the overall relocation and construction project of Wuchuan Hospital of Traditional Chinese Medicine (TCM Hospital) and the relocation and construction project of Wuchuan People’s Hospital, and establish two project companies with the investment representative of Wuchuan Government to implement the corresponding projects upon winning the bid, respectively. For details, please refer to the relevant announcement disclosed by the Company on 20 January 2020. MCC Urban Investment and Minmetals Kingdon entered into the “MCC Urban Investment People’s Hospital Investment (Wuchuan) Co., Ltd. (tentative name) Shareholders’ Agreement” with Wuchuan People’s Hospital on 20 April 2020, and entered into the “MCC Urban Investment TCM Hospital Investment (Wuchuan) Co., Ltd. (tentative name) Shareholders’ Agreement” with TCM Hospital on 17 April. For details, please refer to the relevant announcement disclosed by the Company on 20 April 2020.
- (2) On 9 August 2019, the Company issued the Announcement on “Potential Connected Transaction - Guizhou Expressway PPP Project”. The Company and its six subsidiaries, partnered The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals (the Company’s related party, the “23rd Metallurgical”), Guizhou Jiaojian Construction Group Co., Ltd. and its five subsidiaries, Guizhou Transportation Planning, Survey & Design Institute Co., Ltd., and Liaoning Communications Planning & Design Institute Co., Ltd. and jointly formed the Consortium (the “Consortium”) to participate in the bidding for the PPP project of the Nayong-Qinglong section (“Naqing Project”) and the PPP project of Liuzhi-Anlong Expressway (“Liu’an Project”) of the Nayong-Xingyi national expressway in Guizhou province and won the bid. Due to the change of external conditions, the Consortium failed to enter into the investment agreement within the agreed time and was disqualified from bid winning upon the consideration and decision of the Guizhou Provincial Department of Transportation. Due to the disqualification from bid winning of the Consortium as stated above, the Connected Transactions jointly invested by the Company and its subsidiaries and the related party 23rd Metallurgical will no longer be implemented. For details, please refer to the relevant announcement disclosed by the Company on 6 March 2020.

3. *Events not disclosed in temporary announcements*

Applicable Not applicable

(IV) **Related creditors’ rights and debt transactions**

Applicable Not applicable

(V) **Other material connected transactions**

Applicable Not applicable

Significant Events

XI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

1. Custody, contracting and leasing

Applicable Not applicable

2. Guarantees

Unit: RMB

External guarantees provided by the Company (excluding guarantees provided for subsidiaries)													
Guarantor	The relationship between the guarantor and the listed Company		Guaranteed amount	Date of (Agreement date)	Inception date of guarantee	Expiration date of guarantee	Guarantee type	Completed or not	Overdue or not	Overdue amount	Counter parties or not	Connected parties guarantee or not	Connected relationship
	Guarantee	Guarantee											
MCC Real Estate	Wholly-owned subsidiaries	Zhuhai Hengqin Headquarters Building Development Co., Ltd. (珠海橫琴總部大廈發展有限公司)	199,226,031.61	2019-9-4	2019-9-4	2024-9-4	Joint guarantee	No	No	0	No	No	-
China MCC 20 Group Co., Ltd.	Controlled subsidiary	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	128,532,923.62	2019-9-4	2019-9-4	2024-9-4	Joint guarantee	No	No	0	No	No	-
Total amount of guarantees incurred during the Reporting Period (excluding guarantees for subsidiaries)												327,758,955.23	
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees for subsidiaries)												327,758,955.23	
Guarantees provided by the Company for its subsidiaries													
Total amount of guarantees provided for its subsidiaries during the Reporting Period												1,523,373,109.96	
Total balance of guarantees provided for its subsidiaries as at the end of the Reporting Period (B)												22,272,022,936.70	
Total guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantees (A+B)												22,599,781,891.93	
Total amount of guarantees as a percentage of the Company's net assets attributable to Shareholders of the listed Company (%)												24.29%	
Including:													
Amount of guarantees provided for Shareholders, the de facto controllers and their related parties (C)												0	
Debt guarantees directly or indirectly provided for guaranteed parties with gearing ratio of over 70% (D)												9,303,293,432.33	
Guarantees with the total amount exceeding 50% of the net assets (E)												0	
Total amount of guarantees of the three above items (C+D+E)												9,303,293,432.33	
Explanation on the potential joint repaying liability arising from outstanding guarantees					Nil								
Explanation on guarantees					Nil								

Significant Events

Note: Zhuhai Hengqin Headquarters Building Development Co., Ltd. (珠海橫琴總部大廈發展有限公司) is 31% owned by MCC Real Estate, a subsidiary of the Company, 20% owned by another subsidiary of the Company, China metallurgical Group Co., 30% owned by Zhuhai Da Hengqin Real Estate Co., Ltd.(珠海大橫琴置業有限公司), and 19% owned by Hong Kong Jimei Property Development Co., Ltd.(香港集美地產發展有限公司). In July 2016, Zhuhai Da Hengqin Real Estate Co., Ltd. agreed to act in concert with MCC Real Estate on voting at the Board meeting, and issued an Acting in Concert Letter. The control of Zhuhai Hengqin Headquarters Building Development Co., Ltd. acquired by MCC Real Estate was included in the scope of consolidation in August 2016. On 5 September 2019, MCC Real Estate and China MCC 20 Group Co., Ltd. provided guarantees in the amount of up to RMB930 million and RMB600 million respectively, on a pro-rata basis, for Zhuhai Hengqin Headquarters Building Development Co., Ltd. (for details, please refer to the announcement of the Company dated 30 August 2019 in relation to the provision of guarantees for its subsidiaries). In March 2020, Zhuhai Da Hengqin Real Estate Co., Ltd. cancelled the Letter of Acting in Concert with MCC Real Estate, which made Zhuhai Hengqin Headquarters Building Development Co., Ltd. cease to be included in the scope of MCC Real Estate. The guarantee provided by MCC Real Estate and China MCC 20 Group Co., Ltd. then became a guarantee provided for an external company (excluding the guarantee provided for the subsidiaries).

3. Other material contracts

Please refer to the "Report of Directors" for the material contract entered into by the Company during the Reporting Period.

XII. FIGHTING AGAINST THE COVID-19 OUTBREAK

Confronted with the sudden outbreak of Covid-19 at the beginning of the year, the Company acted quickly and took effective measures. Adhering to the enterprise spirit to "make progress every day, and do not slacken the pace", MCC rushed to support the construction tasks of Leishenshan Hospital and Huoshenshan Hospital in Wuhan, raced against the clock to build E'zhou Leishan Hospital, supported the construction of Hongshan Gymnasium's "Fangcang Shelter Hospital" overnight, and rapidly renovated the facilities and equipment of Wuhan No.3 Hospital, the Second Hospital of WISCO and Xinzhou District People's Hospital. During the epidemic, the Company completed the design, renovation and construction of more than 40 emergency medical facilities projects with high quality and efficiency, as well as the closed-off renovation of several streets and communities, providing more than 25,000 beds. Besides, more than 2,000 medical staff of the Company's 6 transformed hospitals in different provinces and cities devoted themselves to the fight against the epidemic.

In addition to contributing money to heavily stricken areas, the Company also donated N95 masks, medical masks, medical protective suits, medical gloves, goggles, disinfectant, medical alcohol and a large number of daily necessities to hospitals, street offices and relevant units in various regions. In view of the spread of the epidemic worldwide, MCC purchased relevant anti-epidemic supplies and sent them to the countries and regions where MCC's projects are based, donating those supplies to local governments and communities to provide supports and overcome the difficulties hand in hand. By the end of the Reporting Period, the Company had donated epidemic prevention supplies to overseas areas for a total of 9 times, involving 7 national or regional governments and 42 partners from 29 countries, with a cumulative amount of about RMB4.4733 million.

The Company firmly believes that "we will finally defeat the epidemic and get our life back on track, embracing challenges as climbing mountains or just plain sailing in the future". In accordance with the requirements of "one policy for one enterprise, one policy for one industry, classified guidance, and targeted policies", the Company will do its best to overcome the difficulties, do a solid and effective job in epidemic prevention and control, and scientifically and orderly promote the resumption of work and production. Through zoning, grading and targeted policies, in low-risk areas, work resumption will be comprehensively promoted for enterprises and construction projects; in medium-risk areas, work resumption will be orderly promoted in stages and at different times for enterprises and projects; and in high-risk areas, it will be gradually and orderly promoted for enterprises after the epidemic is effectively prevented and controlled. In particular, priority will be given to resuming work on projects involving epidemic prevention and control, livelihood security and other important matters about national economy and people's livelihood, so as to ensure the safe, high-quality and timely implementation of major social and livelihood projects. For instance, major projects in Beijing and Tianjin, such as the National Snowmobile and Sled Center Project, Universal Studios Project in Beijing, and Staff Turnover Housing Project in Beijing's urban sub-centers, have been pressed the "fast forward button" for work resumption. Key projects in Xiong'an New District have been promoted with good quality and quantity. The resumption of work for key projects in Guangdong-Hong Kong-Macao Greater Bay Area has been speeded up in an all-round manner. Work resumption and epidemic prevention of key projects in the Southwest Economic Zone have been conducted "at the same time". Key projects under construction in the Pan-Northwest Economic Zone have resumed work in an all-round and orderly manner.

XIII. PERFORMANCE OF POVERTY ALLEVIATION BY THE LISTED COMPANY

1. Targeted poverty alleviation programmes

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 fulfillment of social responsibility regarding targeted poverty alleviation

(1) Allocation of Aid Funds for Poverty Alleviation

By the end of April 2020, MCC has fully allocated the first aid fund of RMB7.4243 million for poverty alleviation, including allocating RMB3.00 million to support three industrial projects in Yanhe Tujia Autonomous County of Guizhou Province; RMB3 million for building 2 industrial projects in Dejiang County of Guizhou Province; RMB1.4243 million to Panzhihua Technician College to implement the "Mine Heart" vocational education program for poor students enrolled by the college from registered households in targeted poverty alleviation counties.

(2) Implementation of poverty alleviation through consumption

The Company extensively encouraged all subordinated labor unions at all levels to actively participate in poverty alleviation through consumption. According to incomplete statistics, in the first half of the year, the headquarters of MCC and its subsidiaries directly purchased agricultural products in total of RMB6.6032 million from 6 counties under targeted poverty alleviation and directly purchased products of RMB1.5768 million from other state-level poverty-stricken counties.

(3) Implementation of partner assistance work

While carrying out the targeted poverty alleviation work, the Company also called on its subsidiaries to undertake the local partner assistance work and help targeted poverty alleviation counties (townships and villages) arranged by local governments. In addition, the Company actively innovated poverty alleviation measures, encouraged and explored more internal resources to put into targeted poverty alleviation work, and thus achieved positive results. CISDI Group Co., Ltd., a subsidiary of the Company, through the "National Public Welfare Service Platform for the Production and Marketing of Primary Agricultural Products" authorized by the Ministry of Agriculture and Rural Affairs, supported the publicity of high-quality and characteristic agricultural products from the counties to which it provides partner assistance, and helped the Company to carry out poverty alleviation through consumption.

5. Subsequent targeted poverty alleviation programmes

Applicable Not applicable

Significant Events

XIV. CONVERTIBLE CORPORATE BONDS

Applicable Not applicable

XV. INFORMATION ON ENVIRONMENTAL PROTECTION OF THE COMPANY

(I) Environmental protection of the Company and its subsidiaries categorised 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 in the first half of 2020 published by the national and local departments of environmental protection, among all subsidiaries of MCC, 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) 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 (hereinafter referred to as "WISDRI"), 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 29 sewage treatment plants under MCC Huatian, China Non-ferrous and WISDRI were included in the list of enterprises under special supervision of sewage treatment. During the Reporting Period, each environmental protection facility of all units under the Name List of Enterprises with Significant Waste Disposal operated normally, and the emission of key pollutants reached the emission standard without excessive emission, achieving the objective of total emission reduction.

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", continuously 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 "Implementation Rules for Responsibility Investigation of Safety and Environmental Protection Accidents of MCC" (《中國中冶安全環保事故責任追究實施細則》), 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.

Significant Events

1. Information about pollution discharge

① 29 enterprises under special supervision of sewage treatment

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard ^{note} (mg/L)	Actual emission (mg/L)	Total emission rate (10,000t/day)	Discharge flow
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	19.85	13.25	Qingliu River (清流河)
			Ammoniacal nitrogen		5(8)	1.91		
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	31.23	5.83	Lai River (來河)
			Ammoniacal nitrogen		5(8)	0.51		
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	17.64	3.43	Chao River (潮河)
			Ammoniacal nitrogen		5(8)	0.33		
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	23.89	7.43	Zhangseng River (張僧河)
			Ammoniacal nitrogen		2	0.45		
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	23.02	5.51	Chuanqiao River (川橋河)
			Ammoniacal nitrogen		5(8)	0.79		
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	25.37	0.71	Qinlan River (秦欄河)
			Ammoniacal nitrogen		5(8)	0.45		
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	31.31	0.52	Yangcun River (楊村河)
			Ammoniacal nitrogen		5(8)	1.89		
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	21.88	1.73	New Chuanqiao River (新川橋河)
			Ammoniacal nitrogen		5(8)	0.43		
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	22.17	0.67	Tonglong River (銅龍河)
			Ammoniacal nitrogen		5(8)	0.21		

Significant Events

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard ^{note}	Actual emission	Total	Discharge flow
					(mg/L)	(mg/L)	(10,000t/day)	
10	MCC Xinglong Water Co., Ltd. (興隆縣中治水務有限公司)	Vent of disinfecting tank WS-001	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	17.62	2.31	Liu River (柳河)
			Ammoniacal nitrogen		5(8)	0.24		
11	MCC Dingyuan Water Co., Ltd. (定遠縣中治水務有限公司)	Wastewater discharge vent WS-50004	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	19.82	3.12	Maqiao River (馬橋河)
			Ammoniacal nitrogen		5(8)	0.52		
12	Lu'an Water Corporation MCC(六安市中治水務有限公司)	Main vent WS00075	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	20.11	1.89	Su Da Yan (蘇大堰)
			Ammoniacal nitrogen		5(8)	1.93		
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 汭河污水處理廠)	Vent from Cha He Water Treatment Plant (汭河污水處理廠污水排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	18.22	1.92	Chu River (滁河)
			Ammoniacal nitrogen		8(15)	0.21		
14	Ma'anshan Water Corporation MCC (馬鞍山中治水務有限公司)	Ma'anshan Huatian Water Corporation MCC (馬鞍山市中冶華天水務有限公司) WS-090801	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	11.26	1.80	Xiangcheng River (襄城河)
			Ammoniacal nitrogen		5(8)	0.28		
15	Huangshi Water Corporation MCC (黃石中治水務有限公司)	Vent from Huangshi Tuanchengshan Wastewater Treatment Plant(黃石團城山污水處理廠排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	11.13	3.81	Ci-hu Lake (磁湖)
			Ammoniacal nitrogen		5(8)	0.57		

Significant Events

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard ^{note}		Total emission rate (10,000t/day)	Discharge flow
					(mg/L)	(mg/L)		
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	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A note	40	32.36	12.76	Xiaoqing River (小清河)
			Ammoniacal nitrogen		2	1.52		
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	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	34.18	4.36	Discharged into artificial river
			Ammoniacal nitrogen		5(8)	0.16		
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	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	24.14	6.12	Min River (閩江)
			Ammoniacal nitrogen		5(8)	0.22		
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)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002) Level I Standard A	50	11.93	0.52	Shuiyang River (水陽江)
			Ammoniacal nitrogen		5(8)	0.55		
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	21	3.85	Ciwei River (刺滯河)
			Ammoniacal nitrogen		5(8)	0.5		
			Total phosphorus		0.5	0.25		
		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	14	3.82	
			Ammoniacal nitrogen		1.0(1.5)	0.3		
			Total phosphorus		0.2	0.11		
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	25.28	21.14	Yellow River
			Ammoniacal nitrogen		8(15)	0.54		
			Total phosphorus		1	0.17		
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	18	13.5	Gunzi River (滾子河)
			Ammoniacal nitrogen		8(15)	0.75		
			Total phosphorus		1	0.2		
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	16.52	3.69	Laomang River (老蟒河)
			Ammoniacal nitrogen		5(8)	0.37		
			Total phosphorus		0.5	0.1		
		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	21.18	1.98	
			Ammoniacal nitrogen		5(8)	0.37		
			Total phosphorus		0.5	0.12		

Significant Events

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard ^{note}	Actual emission	Total	Discharge flow
					(mg/L)	(mg/L)	(10,000t/day)	
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 (DB32/1072-2018)	60	43.17	2.23	Cailling Port (採菱港)
			Ammoniacal nitrogen		5	0.49		
			Total phosphorus		0.5	0.11		
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		0 (shut down)	Yang Pu Qu (洋浦渠)
			Ammoniacal nitrogen		5			
			Total phosphorus		0.5			
26	Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司)	Vent from Wuhan Baoxie Wastewater Treatment Plant (武漢市豹澗污水處理廠廢水排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	7.09	1.8896	Yangtze River (長江)
			Ammoniacal nitrogen		5(8)	0.12		
			Total phosphorus		0.5	0.2		
27		Main vent of Zuoling Wastewater Treatment Plant of Wuhan Urban Environmental Water Co., Ltd. (都市環保武漢水務有限公司左嶺污水處理廠廢水總排口)	COD		50	12.65	5.3124	
			Ammoniacal nitrogen		5(8)	0.26		
			Total phosphorus		0.5	0.15		
28	Zhuxi Urban Environmental Water Co., Ltd. (都市環保竹溪縣水務有限公司)	Vent from Zhuxi Dongcheng District Wastewater Treatment Plant (竹溪縣東城新區污水處理廠排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	8.18	0.38	Zhuxi River (竹溪河)
			Ammoniacal nitrogen		5(8)	0.37		
			Total phosphorus		0.5	0.14		
29	Macheng Urban Environmental Water Co., Ltd. (都市環保麻城水務有限公司)	Vent from Macheng Urban Environmental Wastewater Treatment Plant (都市環保麻城污水處理廠廢水排放口)	COD	Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (GB18918-2002)	50	10.12	0.5159	Jushui River (舉水河)
			Ammoniacal nitrogen		5(8)	0.48		
			Total phosphorus		0.5	0.12		

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.

Significant Events

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

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (kg/h)	Discharge 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	53.1mg/L	1.29	Wastewater Treatment Plant of Yujiahu
			PH	Integrated wastewater discharge standard (GB8978-1996) Level Three Emission limit	6-9	/	/	
		Exhaust vent #1 from Xiangyang Enfi Waste Incineration Power Plant	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	22.94mg/Nm ³	2.24	Atmosphere
			NOX	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	115.14mg/Nm ³	11.46	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	3.56mg/Nm ³	0.31	
		Exhaust vent #2 from Xiangyang Enfi Waste Incineration Power Plant	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	22.43mg/Nm ³	1.92	
			NOX	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	131.09mg/Nm ³	11.02	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	4.38 mg/Nm ³	0.37	
		Exhaust vent #3 from Xiangyang Enfi Waste Incineration Power Plant	SO ₂	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	100mg/Nm ³	16.33 mg/Nm ³	1.16	
			NOX	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	149.27mg/Nm ³	10.75	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	0.65 mg/Nm ³	0.05	

Significant Events

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (kg/h)	Discharge flow
2	Ganzhou Enfi Environmental Protection Energy Co., Ltd. (贛州恩菲環保能源有限公司)	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	18.5 mg/Nm ³	1.31	Atmosphere
			NOX	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	170 mg/Nm ³	13.22	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	3.4 mg/Nm ³	0.3	
		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	1.6 mg/Nm ³	0.08	
			NOX	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	300mg/Nm ³	183.6 mg/Nm ³	15.38	
			Smoke and dust	Standard for pollution control on the municipal solid waste incineration (GB18485-2014)	30mg/Nm ³	4.2 mg/Nm ³	0.34	
3	China City New Energy Development Dafeng Co., Ltd. (都市環保新能源開發大豐有限公司)	China City 1# gas exhaust gas	SO ₂	Discharge Standard of Pollutants for Thermal Power Plant (GB13223-2011)	100 mg/Nm ³	1.2 mg/Nm ³	0.11	Atmosphere
			NOX		100 mg/Nm ³	48.5 mg/Nm ³	5.5	

Significant Events

③ Enterprises under special supervision of wastewater treatment plants(1 enterprise)

No.	Company name	Discharge vent	Name of main pollutant and characteristic pollutant	Executive standard	Emission standard	Actual emission	Total emission rate (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	8.40	/	plant of New District, Luoyang	
			SS	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	400mg/L	49.42 mg/L	2.21		
			COD	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	500mg/L	43.94 mg/L	1.87		
			Ammoniacal nitrogen	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	/	0.15	0.01		
			Cl-	Discharge Standard of Chlorides for Salt and Alkali Industry DB41/276-2011	350mg/L	253.75 mg/L	11.36		
			F-	Integrated Wastewater Discharge Standard (GB8978-1996) (Level Three)	20mg/L	0.59 mg/L	0.03		
		Chimney of Exhaust Washing Tower	HCl	Integrated Emission Standards of Air Pollutants Level Two	100mg/Nm ³ 0.915kg/h	8.09 mg/Nm ³ 0.11 kg/h	/	0.66	Atmosphere
		Chimney of Acid Fume Purification Tower	HF	Integrated Emission Standards of Air Pollutants Level Two	9mg/Nm ³ 0.38kg/h	1.05 mg/Nm ³ 0.01 kg/h	/	0.02	
					NOx	Integrated Emission Standards of Air Pollutants Level Two	240mg/Nm ³ 2.85kg/h	15.33 mg/Nm ³ 0.21 kg/h	/

Significant Events

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), all of which executed the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plant (《城镇污水处理厂污染物排放标准》) (Level 1 Standard A) (GB18918-2002) for effluent quality.
- 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 hypochlorite.
- 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 hypochlorite.
- ⑦ The 2# high temperature and high pressure unit was officially put into operation by China City New Energy Development Dafeng Co., Ltd. on 25 March 2020. The 1# unit and 2# unit are currently in normal operation and are 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”, respectively.

In the first half of 2020, 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.

Significant Events

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

Except that MCC Xuancheng Water Co., Ltd. failed to meet the acceptance conditions of environmental protection due to the lack of water in the external pipe network, thus the completion-based environmental protection check and acceptance of Phase I project of the construction project of sewage treatment plant in Macheng Economic Development Zone is still in progress, other key polluter companies have obtained environmental impact assessment approvals and other environmental protection administrative permits.

4. Contingency plans for environmental emergencies

The contingency plan for environmental emergencies set out by a subsidiary of China Silicon Corporation Ltd. was filed with Luoyang Environmental Protection Bureau, Luoyang Urban and Rural Integration Commission and Bureau of Land and Resources of Luoyang on 9 January 2017, with reference number of 410311-2017-H-1.

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

The contingency plan for environmental emergencies set out by 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 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 29 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. and 29 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.

Significant Events

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

Applicable Not applicable

(III) Explanation on 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

XVI. 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 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 2019 annual general meeting due to business engagement. Pursuant to relevant requirements, Mr. Zhang Zhaoxiang, an executive Director and the Vice Chairman of the Company, presided over the meeting.

During the Reporting Period, pursuant to the provisions of the Articles of Association, the Company held the 12th meeting of third session of the Board on 20 January 2020, agreed to submit the matter of nomination of Mr. Ng, Kar Ling Johnny as candidate for independent non-executive Director of the third session of the Board by China Metallurgical Group Corporation, the Controlling Shareholder of the Company, to the general meeting of the Company for consideration. On 29 April 2020, Mr. Chan Ka Keung, Peter resigned as an independent non-executive director of the Company due to change of work. On the same date, the Company held the 2020 first extraordinary general meeting, and approved the appointment of Mr. Ng, Kar Ling Johnny as an independent non-executive director of the third session of the Board of the Company, with the same term of office as the third session of the Board. On 29 April 2020, the Company held the 16th meeting of the third session of the Board, and agreed Mr. Ng, Kar Ling Johnny shall serve as a member and chairman of the Finance and Audit Committee of the third session of the Board of MCC, and made adjustments to the Finance and Audit Committee of the Board. The former members of the Finance and Audit Committee were Chan Ka Keung, Peter, Zhou Jichang and Yu Hailong. Chan Ka Keung, Peter served as the chairman; the adjusted members of the Finance and Audit Committee are Ng, Kar Ling Johnny, Zhou Jichang and Yu Hailong, with Ng, Kar Ling Johnny serving as the chairman.

Significant Events

Besides, the Company actively responded to the regulatory requirements to improve the corporate governance of the Company. According to the Official Reply of the State Council regarding Adjusting the Application of Provisions to Matters Including the Notice Period for Convention of Shareholders' Meetings by Overseas Listed Companies (No. 97 [2019] of the State Council) (《關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批復》(國函[2019] 97號)) released by the State Council in October 2019, the relevant provisions of the Company Law of the PRC (中國《公司法》) shall be uniformly applied to joint stock limited companies registered in China and listed overseas in terms of notice period, shareholders' right to propose and the procedures for convening the general meeting. Based on the relevant regulations of the regulatory authorities and the actual situation of the Company, and referring to the common practice of similar listed companies, the Company made amendments to the relevant provisions in Articles of Association and the Rules of Procedures for General Meeting(《股東大會議事規則》) based on the principles of prudence, appropriateness and necessity, which were considered and approved by the 2019 annual general meeting.

During the Reporting Period, the convening of each meeting of general meetings, Board meetings and meetings of Supervisory Committee is in compliance with the relevant requirements of the Company Law of the PRC and the Articles of Association. During the Reporting Period, the Company convened 2 general meetings, 7 Board meetings, 10 meetings of Special Committees, and 2 meetings of Supervisory Committee in total.

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 2020.

XVII. 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 2020. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2020 had been in compliance with the applicable accounting principles as well as laws and regulations, and had made proper disclosures.

XVIII. 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

Applicable Not applicable

(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) Statement of changes in shares

1. *Statement of changes in shares*

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

2. *Explanation on the changes in shares*

Applicable Not applicable

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

Applicable Not applicable

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

Applicable Not applicable

(II) Changes in shares subject to selling restrictions

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>)	400,048
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

Shareholding of the top 10 Shareholders

Unit: share

Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged or frozen Status of Shares	Amount	Nature of Shareholder
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	-1,227,760,000 ⁽³⁾	10,190,955,300	49.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) ⁽²⁾	-73,050	2,841,026,051	13.71	0	Nil	0	Others
China National Petroleum Corporation (中國石油天然氣集團有限公司)	1,227,760,000 ⁽³⁾	1,227,760,000	5.92	0	Nil	0	State-owned legal person
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)	-28,537,763	191,747,098	0.93	0	Nil	0	Others
China Merchants Bank Co., Ltd. – Boser CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund (招商銀行股份有限公司 – 博時中證央企創新驅動交易型開放式指數證券投資基金)	6,003,378	119,405,878	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)	890,000	80,461,988	0.39	0	Nil	0	Domestic natural person
Bank of China Limited – Harvest CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund (中國銀行股份有限公司 – 嘉實中證央企創新驅動交易型開放式指數證券投資基金)	-35,290,400	78,112,100	0.38	0	Nil	0	Others
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)	0	63,516,600	0.31	0	Nil	0	Others
E-Fund – Agricultural Bank – EFund China Securities and Financial Assets Management Programme (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

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 Shares	Amount	Nature of Shareholder
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Programme (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 Programme (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
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Programme (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 Programme (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
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Programme (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 Programme (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 Programme (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 Programme (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

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)	10,190,955,300	RMB-denominated ordinary shares	10,190,955,300
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) ⁽²⁾	2,841,026,051	Overseas-listed foreign shares	2,841,026,051
China National Petroleum Corporation (中國石油天然氣集團有限公司)	1,227,760,000	RMB-denominated ordinary shares	1,227,760,000
China Securities Finance Corporation Limited(中國證券金融股份有限公司)	620,195,642	RMB-denominated ordinary shares	620,195,642
Hong Kong Securities Clearing Company Limited(香港中央結算有限公司)	191,747,098	RMB-denominated ordinary shares	191,747,098
China Merchants Bank Co., Ltd. – Boser CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund(招商銀行股份有限公司–博時中證央企創新驅動交易型開放式指數證券投資基金)	119,405,878	RMB-denominated ordinary shares	119,405,878
Central Huijin Asset Management Ltd.(中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Zhang Jingchun(張景春)	80,461,988	RMB-denominated ordinary shares	80,461,988
Bank of China Limited – Harvest CSI State-owned Enterprises Innovation-driven Index ETF Security Investment Fund (中國銀行股份有限公司–嘉實中證央企創新驅動 交易型開放式指數證券投資基金)	78,112,100	RMB-denominated ordinary shares	78,112,100
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
E-Fund – Agricultural Bank – E-Fund 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 Programme (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 Programme (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 Programme (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 Programme (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
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Programme (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

Changes in Ordinary Shares and Particulars of Shareholders

Name of Shareholder	Number of tradable Shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Programme (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 Programme (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 Programme (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 2020.

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

Note (3): In May 2020 with the approval of the SASAC, CMGC transferred its 1,227,760,000 A shares of the Company to China National Petroleum Corporation by gratuitous transfer. For details, please refer to the relevant announcements disclosed by the Company on 13 March, 15 April and 27 May 2020.

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

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	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	–
Ng, Kar Ling Johnny ⁽¹⁾	Independent Non-executive Director	0	0	0	–
Lin Jinzhen	Employee Representative Director	60,000	60,000	0	–
Cao Xiuyun	Chairman of the Supervisory Committee	0	0	0	–
Zhang Yandi	Supervisor	0	0	0	–
Chu Zhiqi	Employee Representative Supervisor	0	0	0	–
Zhang Mengxing	President	60,032	60,032	0	–
Wang Shilei	Vice President	0	0	0	–
Zou Hongying	Vice President and Chief Accountant	40,000	40,000	0	–
Qu Yang	Vice President	70,000 ⁽²⁾	70,000 ⁽²⁾	0	–
Zeng Jianzhong	Vice President	0	0	0	–
Zhang Ye	Vice President	0	0	0	–
Liu Fuming	Vice President	0	0	0	–
Zeng Gang	Secretary to the Board	0	0	0	–
Resigned					
Chan Ka Keung, Peter	Independent Non-executive Director	0	0 ⁽³⁾	0	–

Notes (1): On 29 April 2020, Mr. Ng, Kar Ling Johnny was elected as an Independent Non-executive Director of the third session of the Board on the 2020 first extraordinary general meeting of the Company.

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

(3): The data is the number of shares held at the time of resignation.

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
Ng, Kar Ling Johnny	Independent Non-executive Director	Elected
Chan Ka Keung, Peter	Independent Non-executive Director	Resigned

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

On 29 April 2020, the Board, of the Company received a resignation report from the independent non-executive director Mr. Chan Ka Keung Peter, who ceased to serve as independent non-executive director of the Company due to job changes. On the same day, the Company convened the 2020 first extraordinary general meeting and approved the appointment of Mr. Ng, Kar Ling Johnny as the independent non-executive director of the third session of the Board of Directors of the Company.

On 24 July 2020, Mr. Cao Xiuyun resigned from the positions of Supervisor and Chairman of the Supervisory Committee of the Company due to job change. As the number of Supervisors will fall below the quorum of the Supervisory Committee due to the resignation of Mr. Cao Xiuyun, Mr. Cao Xiuyun will continue to perform his duty as a Supervisor until the assumption of office of the replacement supervisor pursuant to the Articles of Association and the requirements of the relevant laws and regulations. China Metallurgical Group Corporation, the Controlling Shareholder of the Company, nominated Mr. Yin Sisong as candidate for Supervisor of the Company, and the Board of the Company agreed to submit the matter to the general meeting for consideration.

Save as disclosed above, as of the Reporting Period, the Company was not aware of any changes on the information of Directors or Supervisors required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

III. EMPLOYEES AND REMUNERATION POLICY

Number of existing staff of parent company	191
Number of existing staff of principal subsidiaries	96,693
Total number of existing staff	96,884
Number of resigned or retired staff to whom the parent company and principal subsidiaries are liable	130,590

Categories of Professional Composition	Number of Professionals
Engineering contracting	92,705
Property development	1,159
Equipment manufacture	1,482
Resources development	982
Others	556
Total	96,884

Particulars of Directors, Supervisors and Senior Management

Categories of Educational Level	Level of Education	Number (in persons)
Above postgraduate		11,796
Undergraduate		47,199
College degree		15,874
Below college degree		22,015
Total		96,884

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.

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 2020, 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

Particulars of Directors, Supervisors and Senior Management

Save as disclosed above, as at 30 June 2020, 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.

(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 2020, 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 2020, 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 Minmetals Corporation	Interest of a controlled corporation	10,190,955,300	Long position	57.08	49.18
China Metallurgical Group Corporation	Beneficial owner	10,190,955,300	Long position	57.08	49.18
China National Petroleum Corporation	Beneficial owner	1,227,760,000	Long position	6.88	5.92

Save as disclosed above, as far as the Directors, Supervisors and chief executives of the Company are aware, as at 30 June 2020, 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 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	Shanghai Stock Exchange
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	Shanghai Stock Exchange
	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 2018 Corporate Bonds (First Tranche) under the Public Issuance was paid on 8 May 2020.

As of the date of publication of this report, the interest on 2017 Corporate Bonds (First Tranche) under the Public Issuance was paid on 25 October 2019, and there was no payment of interest principal amount for the year. The date of interest payment for the year is 25 October 2020 (where 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).

Corporate Bonds

Other explanation on corporate bonds

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
	Contact persons	Zhang Hao, Yang Dong
	Contact No.	010-60840890
Credit ranking institution	Name	China Chengxin International Credit Rating Co., Ltd.
	Office address	Galaxy SOHO6, No.2 Nanzhugan Hutong, Chaoyangmennei Avenue, Dongcheng District, Beijing

III. USE OF PROCEEDS OF CORPORATE BONDS

As of the date of publication of this report, 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 usage, plan of usage and other purposes as stipulated in the prospectus.

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. 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 International Credit Rating Co., Ltd. disclosed a follow-up and ranking report for the above corporate bonds on the website of Shanghai Stock Exchange on 7 May 2020 to inform investors in this regard.

According to the credit ranking report (Xin Ping Wei Han Zi [2020] Gen Zong No.0180) issued by China Chengxin International Credit Rating Co., Ltd. on 30 April 2020, "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 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 prospectus and there was no change in the abovementioned. During the Reporting Period, the Company strictly implemented debt repayment plans and debt repayment protective measures in accordance with the undertakings provided in the prospectus.

VI. CONVENTION OF CORPORATE BONDHOLDERS' MEETINGS

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

VII. PERFORMANCE OF DUTIES OF THE TRUSTEE OF CORPORATE BONDS

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

The bond trustee of corporate bonds "17 MCC Y1", "17 MCC Y3", "17 MCC Y5", "17 MCC Y7", "17 MCC 01", "18 MCC 01" and "18 MCC 02" issued 2019 trustee reports in relation to respective corporate bonds on the website of Shanghai Stock Exchange on 30 June 2020 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	As at	Increase/decrease
	the end of the Reporting Period	the end of the previous year	for the end of the Reporting Period as compared to the end of the previous year
Current Ratio	1.12	1.14	-0.02
Quick Ratio	0.68	0.70	-0.02
Asset-liability Ratio (%) ^{Note}	75.70	74.50	Increased by 1.20 percentage points
Loan Repayment Ratio (%)	100	100	

	Reporting Period	Corresponding	Increase/decrease
	(January – June)	period of the previous year	for the Reporting Period as compared to the corresponding period of the previous year
EBITDA/Interest Protection Multiples	3.89	2.77	+1.12
Interest Payment Ratio (%)	100	100	

Note: Asset-liability Ratio=Total liabilities/total assets*100%

Corporate Bonds

IX. OVERDUE DEBT

Applicable Not applicable

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

During the Reporting Period, in addition to corporate bonds, the Company was also in possession of ultra-short term financing bonds of RMB10 billion, and all of the debt financing instruments 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 cooperation with financial institutions such as banks, and obtained high credit facilities and enhanced access to financial resources. As at the end of the Reporting Period, the Company obtained a total of RMB634.2 billion of credit facilities from each financial institution, and a total of RMB211.3 billion was used and RMB422.9 billion not yet used.

During the Reporting Period, the Company repaid the bank loans on schedule and did not have any extension or exemption.

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

I. REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

DAXIN YUE ZI [2020] No. 1-00017

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 2020, 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 financial positions as at 30 June 2020 and the consolidated and Company's operating performance and cash flows for the six months then ended.

WUYIGE CERTIFIED PUBLIC
ACCOUNTANTS LLP.
Beijing • China

Chinese Certified Public Accountant:
Wang Jin **Cai Jinliang**

Date: 28 August 2020

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET 30 June 2020

All amounts in RMB'000

Items	Notes	30 June 2020	31 December 2019
Current Assets:			
Cash and bank balances	VII1	50,709,606	43,677,662
Financial assets held for trading	VII2	2,284,333	2,162,432
Derivative financial assets	VII3	-	401
Bills receivable	VII4	8,450,503	7,918,027
Accounts receivable	VII5	69,017,865	66,026,606
Receivables at FVTOCI	VII6	8,497,884	7,855,940
Prepayments	VII7	28,499,461	24,705,845
Other receivables	VII8	54,599,922	57,290,123
Inventories	VII9	59,584,857	60,636,905
Contract assets	VII10	86,538,016	72,800,575
Non-current assets due within one year	VII11	1,729,813	2,078,913
Other current assets	VII12	2,139,113	2,282,530
Total Current Assets		372,051,373	347,435,959
Non-current Assets:			
Long-term receivables	VII13	26,848,658	24,326,794
Long-term equity investments	VII14	23,265,626	21,834,366
Investments in other equity instruments	VII15	1,822,321	1,871,747
Other non-current financial assets	VII16	4,292,774	4,171,068
Investment properties	VII17	6,369,233	5,763,796
Fixed assets	VII18	25,407,960	26,121,239
Construction in progress	VII19	4,928,725	4,426,518
Right-of-use assets	VII20	497,338	540,522
Intangible assets	VII21	16,562,278	15,796,873
Goodwill	VII22	161,512	161,523
Long-term prepayments	VII23	285,671	265,900
Deferred tax assets	VII24	6,005,708	5,618,595
Other non-current assets	VII25	214,009	171,313
Total Non-current Assets		116,661,813	111,070,254
TOTAL ASSETS		488,713,186	458,506,213

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED) 30 June 2020

All amounts in RMB'000

Items	Notes	30 June 2020	31 December 2019
Current Liabilities:			
Short-term borrowings	VII 26	56,380,402	40,476,556
Derivative financial liabilities	VII 27	9,050	4,230
Bills payable	VII 28	34,888,098	31,487,132
Accounts payable	VII 29	129,103,476	115,855,013
Receipts in advance	VII 30	250,798	245,284
Contract liabilities	VII 31	62,562,949	64,595,970
Employee benefits payable	VII 32	2,358,767	2,037,994
Taxes payable	VII 33	3,303,558	3,461,760
Other payables	VII 34	28,533,974	26,219,786
Non-current liabilities due within one year	VII 35	7,389,140	15,683,416
Other current liabilities	VII 36	6,977,494	5,856,396
Total Current Liabilities		331,757,706	305,923,537
Non-current Liabilities:			
Long-term borrowings	VII 37	30,994,905	27,219,615
Bonds payable	VII 38	790,000	1,660,000
Lease liabilities	VII 39	271,180	302,054
Long-term payables	VII 40	679,996	892,993
Long-term employee benefits payable	VII 41	3,101,835	3,115,993
Provisions	VII 42	747,374	817,931
Deferred income	VII 43	1,550,911	1,582,297
Deferred tax liabilities	VII 24	63,802	71,685
Other non-current liabilities	VII 44	14,600	14,600
Total Non-current Liabilities		38,214,603	35,677,168
TOTAL LIABILITIES		369,972,309	341,600,705

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED BALANCE SHEET (CONTINUED) 30 June 2020

All amounts in RMB'000

Items	Notes	30 June 2020	31 December 2019
Shareholders' Equity:			
Share capital	VII 45	20,723,619	20,723,619
Other equity instruments	VII 46	19,299,675	25,924,290
Including: Perpetual bond		19,299,675	25,924,290
Capital reserve	VII 47	22,398,654	22,476,448
Other comprehensive income	VII 48	7,851	(59,618)
Special reserve	VII 49	12,550	12,550
Surplus reserve	VII 50	1,748,938	1,748,938
Retained earnings	VII 51	28,860,300	27,123,498
Total shareholders' equity attributable to shareholders of the Company		93,051,587	97,949,725
Non-controlling interests		25,689,290	18,955,783
TOTAL SHAREHOLDERS' EQUITY		118,740,877	116,905,508
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		488,713,186	458,506,213

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

Legal Representative :
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET 30 June 2020

All amounts in RMB'000

Items	Notes	30 June 2020	31 December 2019
Current Assets:			
Cash and bank balances		2,483,399	2,467,897
Bills receivable		2,000	–
Accounts receivable	XVI1	111,240	98,899
Prepayments		1,367,871	1,219,616
Other receivables	XVI2	45,430,786	43,712,605
Inventories		1,224	1,058
Contract assets		1,260,562	1,296,461
Non-current assets due within one year		1,846,177	1,866,177
Total Current Assets		52,503,259	50,662,713
Non-current Assets:			
Long-term receivables	XVI3	172,480	487,590
Long-term equity investments	XVI4	90,083,944	89,754,018
Other equity instrument investments		393	248
Fixed assets		10,371	11,746
Right-of-use assets		31,777	40,479
Intangible assets		5,998	6,906
Total Non-current Assets		90,304,963	90,300,987
TOTAL ASSETS		142,808,222	140,963,700

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET (CONTINUED) 30 June 2020

All amounts in RMB'000

Items	Notes	30 June 2020	31 December 2019
Current Liabilities:			
Short-term borrowings	XVI5	43,690,936	28,199,649
Bills payable		140,341	–
Accounts payable		1,424,793	1,554,946
Contract liabilities		2,068,719	2,220,884
Employee benefits payable		15,308	14,674
Taxes payable		35,734	54,801
Other payables	XVI6	11,165,137	15,573,592
Non-current liabilities due within one year	XVI7	1,794,620	442,732
Total Current Liabilities		60,335,588	48,061,278
Non-current Liabilities:			
Long-term borrowings	XVI8	1,750,000	2,750,000
Bonds payable		790,000	1,660,000
Lease liabilities		10,838	19,868
Long-term employee benefits payable		16,004	16,893
Provisions		116,885	118,921
Deferred income		3,598	4,411
Total Non-current Liabilities		2,687,325	4,570,093
TOTAL LIABILITIES		63,022,913	52,631,371

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S BALANCE SHEET (CONTINUED) 30 June 2020

All amounts in RMB'000

Items	Notes	30 June 2020	31 December 2019
Shareholders' Equity:			
Share capital		20,723,619	20,723,619
Other equity instruments		19,299,675	25,924,290
Including: Perpetual bond		19,299,675	25,924,290
Capital reserve		37,925,657	38,001,042
Other comprehensive income		848	984
Special reserve		12,550	12,550
Surplus reserve		1,748,938	1,748,938
Retained earnings		74,022	1,920,906
TOTAL SHAREHOLDERS' EQUITY		79,785,309	88,332,329
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		142,808,222	140,963,700

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

Legal Representative :
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I. Total operating revenue		180,565,193	159,017,379
Including : Operating revenue	VII52	180,565,193	159,017,379
II. Total operating costs		172,522,957	153,294,197
Including: Operating costs	VII52	161,154,787	141,523,492
Taxes and levies	VII53	961,239	1,191,138
Selling expenses	VII54	971,393	1,030,968
Administrative expenses	VII55	4,072,741	4,147,974
Research and development expenses	VII56	4,127,934	3,716,817
Financial expenses	VII57	1,234,863	1,683,808
Including: Interest expenses	VII57	1,932,197	2,386,058
Interest income	VII57	967,130	1,149,521
Add: Other income	VII58	128,573	76,097
Investment income	VII59	(522,424)	(198,337)
Including: Income from investments in associates and joint ventures	VII59	(47,081)	(41,053)
Income from derecognition of financial assets at amortized cost	VII59	(354,740)	(249,984)
Gains from changes in fair values	VII60	11,423	(3,711)
Impairment losses of credit	VII61	(1,841,852)	(764,520)
Impairment losses of assets	VII62	(509,085)	(28,970)
Gains on disposal of assets	VII63	13,807	20,560
III. Operating profit		5,322,678	4,824,301
Add: Non-operating income	VII64	237,059	103,259
Less: Non-operating expenses	VII65	56,352	45,371
IV. Total profit		5,503,385	4,882,189
Less: Income tax expenses	VII66	1,226,819	1,103,931
V. Net profit		4,276,566	3,778,258
(I) Net profit classified by operating continuity			
Net profit from continuing operations		4,276,566	3,778,258
Net profit from discontinued operations		—	—
(II) Net profit classified by ownership ascription			
Net profit attributable to shareholders of the Company		3,591,925	3,156,882
Profit or loss attributable to non-controlling interests		684,641	621,376

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED INCOME STATEMENT (CONTINUED)

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	VII67	88,900	(2,596)
Other comprehensive income attributable to shareholders of the Company, net of income tax		45,656	(1,921)
(I) Items that will not be reclassified to profit or loss		(75,347)	19,427
1. Re-measurement of defined benefit obligations		(46,886)	410
2. Changes in fair values of investments in other equity instruments		(28,461)	19,017
(II) Items that may be reclassified to profit or loss		121,003	(21,348)
1. Other comprehensive income that can be reclassified to profit or loss under the equity method		–	(27)
2. Changes of fair value of receivables financing		4,890	(43,335)
3. Exchange differences on translating financial statements in foreign currencies		116,113	22,014
Other comprehensive income attributable to non-controlling interests, net of income tax		43,244	(675)
VII. Total comprehensive income		4,365,466	3,775,662
Total comprehensive income attributable to shareholders of the Company		3,637,581	3,154,961
Total comprehensive income attributable to non-controlling interests		727,885	620,701
VIII. Earnings per share	XV3		
(I) Basic earnings per share (RMB/share)		0.14	0.13
(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

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S INCOME STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I. Operating revenue	XVI 9	1,147,636	2,264,878
Less: Operating costs	XVI 9	1,130,178	2,217,721
Taxes and levies		2,541	1,000
Administrative expenses		70,803	82,865
Financial expenses		(27,428)	193,937
Including: Interest expenses		827,961	1,018,392
Interest income		906,784	812,788
Add: Other income		486	–
Investment income	XVI 10	17,814	1,620
Including: Gains from investments in associates and joint ventures	XVI 10	17,814	1,620
Impairment losses of credit	XVI 11	(2,636)	(2,006)
Gains on disposal of assets		–	(38)
II. Operating profit		(12,794)	(231,069)
Add: Non-operating income		366	661
Less: Non-operating expenses		20	757
III. Total profit		(12,448)	(231,165)
Less: Income tax expenses		1,126	14,820
IV. Net profit		(13,574)	(245,985)
Net profit from continuing operations		(13,574)	(245,985)
Net profit from discontinued operations		–	–
V. Other comprehensive income, net of income tax		(136)	36
(I) Items that will not be reclassified to profit or loss		(136)	36
1. Changes in re-measurement of defined benefit obligations		(282)	1
2. Changes in fair value of investments in other equity instruments		146	35
VI. Total comprehensive income		(13,710)	(245,949)

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

Legal Representative :
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		173,919,003	154,739,444
Receipts of tax refunds		188,569	457,092
Other cash receipts relating to operating activities	VII68	3,906,395	2,031,605
Sub-total of cash inflows from operating activities		178,013,967	157,228,141
Cash payments for goods purchased and services received		152,736,321	136,242,339
Cash payments to and on behalf of employees		10,548,670	10,633,165
Payments of various types of taxes		4,562,336	6,936,841
Other cash payments relating to operating activities	VII68	8,752,623	8,647,824
Sub-total of cash outflows from operating activities		176,599,950	162,460,169
Net Cash Flows from Operating Activities		1,414,017	(5,232,028)
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		1,006,894	1,292,991
Cash receipts from investment income		103,104	152,138
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		17,749	181,509
Other cash receipts relating to investing activities	VII68	1,519,700	778,879
Sub-total of cash inflows from investing activities		2,647,447	2,405,517
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		2,115,706	1,451,598
Cash payments to acquire investments		2,514,829	2,333,054
Other cash payments relating to investing activities	VII68	1,608,134	1,966,634
Sub-total of cash outflows from investing activities		6,238,669	5,751,286
Net Cash Flows from Investing Activities		(3,591,222)	(3,345,769)

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

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		10,136,404	1,098,369
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries		7,136,404	498,369
Cash receipts from issue of perpetual bond		3,000,000	600,000
Cash receipts from borrowings		60,586,005	64,458,282
Other cash receipts relating to financing activities	VII68	1,085,059	–
Sub-total of cash inflows from financing activities		71,807,468	65,556,651
Cash repayments of borrowings		48,684,941	58,483,741
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,111,506	4,305,203
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries		333,402	323,944
Other cash payments relating to financing activities	VII68	9,780,256	935,430
Sub-total of cash outflows from financing activities		61,576,703	63,724,374
Net Cash Flows from Financing Activities		10,230,765	1,832,277
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		63,441	12,050
V. Net Increase (Decrease) in Cash and Cash Equivalents			
	VII69	8,117,001	(6,733,470)
Add: Opening balance of Cash and Cash equivalents	VII69	31,814,900	33,151,002
VI. Closing Balance of Cash and Cash Equivalents			
	VII69	39,931,901	26,417,532

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

Legal Representative :
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT

All amounts in RMB'000

Items	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		907,026	2,150,730
Receipts of tax refunds		–	661
Other cash receipts relating to operating activities		426,919	303,569
		1,333,945	2,454,960
Sub-total of cash inflows from operating activities			
Cash payments for goods purchased and services received		1,015,758	1,908,719
Cash payments to and on behalf of employees		58,259	44,265
Payments of various types of taxes		18,763	38,098
Other cash payments relating to operating activities		454,920	61,136
		1,547,700	2,052,218
Sub-total of cash outflows from operating activities			
Net Cash Flows from Operating Activities	XVI12	(213,755)	402,742
II. Cash Flows from Investing Activities:			
Cash receipts from investment income		313,864	138,564
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		–	97
Other cash receipts relating to investing activities		2,176,554	–
		2,490,418	138,661
Sub-total of cash inflows from investing activities			
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		269	1,079
Cash payments to acquire investments		315,110	613,950
Other cash payments relating to investing activities		9,824,105	464,822
		10,139,484	1,079,851
Sub-total of cash outflows from investing activities			
Net Cash Flows from Investing Activities		(7,649,066)	(941,190)

Financial Statements

For the six months ended 30 June 2020

II. FINANCIAL STATEMENTS (CONTINUED)

THE COMPANY'S CASH FLOW STATEMENT (CONTINUED)

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		3,000,000	600,000
Including: Cash receipts from issue of perpetual bond		3,000,000	600,000
Cash receipts from borrowings		44,032,022	39,395,114
Other cash receipts relating to financing activities		5,838,471	–
Sub-total of cash inflows from financing activities		52,870,493	39,995,114
Cash repayments of borrowings		31,203,519	37,842,206
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,600,003	1,629,510
Other cash payments relating to financing activities		12,200,000	10,989
Sub-total of cash outflows from financing activities		45,003,522	39,482,705
Net Cash Flows from Financing Activities		7,866,971	512,409
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		11,358	6,698
V. Net Decrease in Cash and Cash Equivalents	XVI12	15,508	(19,341)
Add: Opening balance of Cash and Cash equivalents	XVI12	2,456,387	2,511,810
VI. Closing Balance of Cash and Cash Equivalents	XVI12	2,471,895	2,492,469

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

Legal Representative :
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements

For the six months ended 30 June 2020

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 2020								
	Attributable to shareholders of the Company								
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
I. Closing balance of the preceding period	20,723,619	25,924,290	22,476,448	(59,618)	12,550	1,748,938	27,123,498	18,955,783	116,905,508
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Opening balance of the current period	20,723,619	25,924,290	22,476,448	(59,618)	12,550	1,748,938	27,123,498	18,955,783	116,905,508
III. Changes for the period		(6,624,615)	(77,794)	67,469	-	-	1,736,802	6,733,507	1,835,369
(I) Total comprehensive income	-	-	-	45,656	-	-	3,591,925	727,885	4,365,466
(II) Shareholders' contributions and reduction in capital	-	(6,624,615)	(78,440)	-	-	-	-	6,372,094	(330,961)
1. Capital contribution from owners	-	-	-	-	-	-	-	83,559	83,559
2. Capital contribution from holders of other equity instruments (Note VII 46)	-	(6,624,615)	(75,385)	-	-	-	-	6,892,172	192,172
3. Others	-	-	(3,055)	-	-	-	-	(603,637)	(606,692)
(III) Profit distribution	-	-	646	-	-	-	(1,833,310)	(366,472)	(2,199,136)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distribution to shareholders	-	-	-	-	-	-	(1,833,310)	(366,482)	(2,199,792)
3. Others	-	-	646	-	-	-	-	10	656
(IV) Transfers within shareholders' equity	-	-	-	21,813	-	-	(21,813)	-	-
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 15)	-	-	-	21,813	-	-	(21,813)	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	2,556,109	-	-	195,465	2,751,574
2. Amount utilized in the current period	-	-	-	-	(2,556,109)	-	-	(195,465)	(2,751,574)
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	20,723,619	19,299,675	22,398,654	7,851	12,550	1,748,938	28,860,300	25,689,290	118,740,877

Financial Statements

For the six months ended 30 June 2020

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 2020									
	Attributable to shareholders of the Company								Non-controlling interests	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	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	-	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. Distribution 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	-	-	-	(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	

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

Legal Representative :
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements

For the six months ended 30 June 2020

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 2020							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	25,924,290	38,001,042	984	12,550	1,748,938	1,920,906	88,332,329
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the current period	20,723,619	25,924,290	38,001,042	984	12,550	1,748,938	1,920,906	88,332,329
III. Changes for the period	-	(6,624,615)	(75,385)	(136)	-	-	(1,846,884)	(8,547,020)
(I) Total comprehensive income	-	-	-	(136)	-	-	(13,574)	(13,710)
(II) Shareholders' contributions and reduction in capital	-	(6,624,615)	(75,385)	-	-	-	-	(6,700,000)
1. Capital contribution from owners	-	-	-	-	-	-	-	-
2. Capital contribution and reduction of holders of other equity instruments	-	(6,624,615)	(75,385)	-	-	-	-	(6,700,000)
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	(1,833,310)	(1,833,310)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,833,310)	(1,833,310)
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	19,299,675	37,925,657	848	12,550	1,748,938	74,022	79,785,309

Financial Statements

For the six months ended 30 June 2020

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 2020							
	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	15,924,290	38,001,042	609	12,550	1,455,419	2,071,070	78,188,599
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

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

Legal Representative :
Guo Wenqing

General Accountant:
Zou Hongying

Financial Controller:
Fan Wanzhu

Financial Statements

For the six months ended 30 June 2020

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 the industrial and commercial registration of its shareholding alteration with its capital contributor changing from SASAC to CMC. 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.

In September and November 2019, CMGC purchased the central enterprise innovation driven ETF fund with 224,685,000 shares of the Company. After the purchase, the shareholding ratio and voting right ratio of CMGC in the Company decreased from 56.18% to 55.10%, and CMGC remains as the controlling shareholder of the Company.

On 27 May 2020, CMGC transferred its 1,227,760 thousand A shares of the Company (accounting for 5.92% of the Company’s total share capital) to China National Petroleum Corporation (“CNPC”) for free. After the completion of the free transfer, China Metallurgical Company’s shareholding and voting rights in the Company have been reduced from 55.10% to 49.18%, and CMGC remains as the controlling shareholder of the Company.

Financial Statements

For the six months ended 30 June 2020

III. BASIC CORPORATE INFORMATION (CONTINUED)

1. Basic information of the Company (Continued)

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

The services or products provided by the Group are as follows: The engineering contracting business mainly includes scientific research, planning, exploration, consulting, etc. of metallurgical engineering, housing construction engineering, transportation infrastructure engineering and other projects such as mining, environmental protection, electric power, chemical engineering, light industry and electronics. Design, procurement, construction, installation, maintenance, supervision and related technical services; property development business mainly includes the development and sales of residential and commercial property, construction of affordable housing and first-level land development; products of equipment manufacturing business mainly include metallurgy Special equipment, steel structure and other metal products, etc.; resource development business mainly includes the development and smelting of domestic and foreign metal mineral resources, and the production and processing of non-metallic mineral resources, non-ferrous metals and polysilicon.

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 August 28, 2020.

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).

Financial Statements

For the six months ended 30 June 2020

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 XI 1 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 2020 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 2020 and consolidated and the Company's operating results and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December. The preparation period of this financial statement is from January 1 to June 30 of 2020.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

3. Business cycle

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

4. Reporting currency

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

5. Business combination

(1) Business combinations involving enterprises under common control

In a business combination involving enterprises under common control, if the acquirer pays for the business combination in cash, by transferring of non-cash assets or assuming liabilities, the initial investment cost is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. If the acquirer issues equity instruments for the business combination, the acquirer measures the share capital by the par value of the shares issued. The difference between the original investment cost and the carrying amount (or the total par value of shares issued) will be adjusted to the capital reserve. If the capital reserve is insufficient to absorb the difference, the remaining amount shall be deducted from the retained earnings.

(2) Business combinations not involving enterprises under uncommon control

In a business combination involving enterprises not under common control, the combination costs are the aggregate of the fair values of the assets paid, the liabilities incurred or assumed and the equity instruments issued by the acquirer in exchange for control over the acquiree at the acquisition date. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree that meet the recognition criteria are measured at their fair value. The Group recognises the difference of the combination costs in excess of its interest portion in the fair value of the net identifiable assets acquired from the acquiree as goodwill. The Group recognises the difference of the combination costs less than its interest portion in the fair value of the net identifiable assets acquired from the acquiree in the non-operating income for current period after reassessment.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Basis for preparation of consolidated financial statements

(1) *The scope of consolidated financial statements*

The Group incorporates all its subsidiaries (including individual entities under its control) into the scope of the consolidated financial statements, including the enterprises controlled by the Group, divisible parts in the investees and structured entities.

(2) *Uniform accounting policies, balance sheet date and accounting period*

If the subsidiaries adopt different accounting policies or accounting periods compared with those of the Group, the Group makes necessary adjustments on the subsidiaries' financial statements according to its accounting policies or accounting period when the consolidated financial statements are prepared.

(3) *The elimination in the preparation of consolidated financial statements*

The consolidated financial statements are prepared based on the individual financial statements of the Group and its subsidiaries, after elimination of the transactions incurred among the Group and the subsidiaries. The portion of a subsidiary's equity that is not attributable to the Group is treated as minority interests and presented in the consolidated balance sheet within equity. The equity investment of the Group held by one subsidiary is treated as the Group's treasury shares and a deduction of the shareholders' equity which is presented as "less: treasury shares" in the consolidated balance sheet within equity.

(4) *The accounting treatment for obtaining subsidiaries through a business combination*

Where a subsidiary or business has been acquired through a business combination involving enterprises under common control in the reporting period, the obtained subsidiary or business is deemed to be included in the consolidated financial statements from the date they are controlled by the ultimate controlling party. Their assets, liabilities, operating results and cash flows are included in the consolidated financial statements from the beginning of the accounting period in which the acquisition occurred. Where a subsidiary or business has been acquired through a business combination not involving enterprises under common control, their individual financial statements are adjusted based on the fair value of identifiable net assets at the acquisition date when preparing the consolidated financial statements.

(5) *The accounting treatment for disposal of equity investment in a subsidiary*

In the consolidated financial statements, when the Group partly disposes its investment in a subsidiary without losing its control on the subsidiary, the difference between the consideration received and its corresponding portion of the net asset continually calculated from the purchase date or combination date should be adjusted to the capital reserve and if the capital reserve is insufficient to absorb the difference, the remaining amount will be deducted from the retained earnings.

If the Group loses its control on an investee because of disposing some portion of its equity investment in the investee, when it prepares its consolidated financial statements, the remaining balance of its equity investment will be remeasured at the fair value of the date at which it loses its control. The difference between the sum of the consideration received and the fair value of the remaining equity investment, and its corresponding interest portion of the net asset continually calculated from the purchase date or the combination date should be recorded in the investment income of the current period, and be deducted to goodwill simultaneously. Other comprehensive income (OCI) etc. relating to the investment in the former subsidiary will be transferred to the investment income in the same period in which it loses its control.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. Joint arrangement classification and accounting treatments

(1) *The classification of joint arrangement*

Joint arrangements are classified as joint operations or joint ventures. A joint arrangement will be classified as joint operation when the joint arrangement achieves not through an individual entity. Individual entity is an entity with individual identifiable finance structure, including single legal entity and entity unqualified as legal entity but qualified as lawful entity. A joint arrangement is usually be classified as joint venture when the joint arrangement achieves through incorporating an individual entity. When changes arising from relevant events or environment cause changes of the cooperative parties' rights and obligations in the joint arrangements, the cooperative parties shall reassess the classification of the joint arrangements.

(2) *The accounting treatment of joint operations*

The Group acted as a party participating in joint operations, recognises the following items relating to its interests in the joint operations and accounts for them in accordance with related requirements of Accounting Standards for Business Enterprises: (a) Its solely-held assets and solely-assumed liabilities, and its share of any assets and liabilities held jointly; (b) Its revenue from the sale of its share of the output arising from the joint operation; (c) Its share of the revenue from the sale of the output by the joint operation; (d) Its own expenses and its share of any expenses incurred jointly.

The Group acted as a party involving in joint operations without common control power, accounts for its investments referring to the treatment method of joint operation participants if it is entitled to relevant assets and undertake relevant liabilities of the joint operations, otherwise, it accounts for its investments according to related requirements of Accounting Standards for Business Enterprises.

(3) *The accounting treatment of joint ventures*

The Group accounts for its investments in accordance with Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment if it is one of the participating parties with common control power in joint ventures. And the Group accounts for its investments according to its influence extent on the joint ventures if it is not one of the participating parties with common control power involved in the joint ventures.

8. Cash and cash equivalents

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

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(1) Translation of foreign currency transactions

The Group records foreign currency transactions into RMB for accounting purpose using the spot exchange rate prevailing at the date when the transactions occurs. At the balance sheet date, monetary items denominated in foreign currency are translated to RMB by adopting the prevailing exchange rate on that date. Foreign exchange difference between the prevailing exchange rate on that date and the prevailing exchange rate on initial recognition or on the previous balance sheet date are recognized in profit or loss for the current period, except the foreign exchange arising from specific loan denominated in foreign currency qualified as capital expenditure and included in the cost of related assets. Non-monetary items denominated in foreign currency that are measured at historical cost are still translated at amount in functional currency exchanged at the prevailing exchange rate at the transaction date. Non-monetary items denominated in foreign currency that are measured at fair value are translated using the exchange rate at the date when fair value was determined and the difference between the translated functional currency amount and the prior translated amount on initial recognition or on the previous balance sheet date are recorded in profit or loss for the current period or 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.

(2) Translation of financial statements denominated in foreign currency

If the Group's controlled subsidiaries, joint ventures and associates etc. adopt different reporting currency, their financial statements denominated in foreign currency shall be translated to financial statements in RMB when preparing consolidated financial statements. The assets and liabilities are translated to RMB amounts using the spot exchange rate at the balance sheet date. Items of the equity, except for "retained earnings", are translated at the spot exchange rate at the dates when such items occurred. The revenue and expenditures in the statement of income are translated using the spot exchange rate at the transaction date. The difference arising from foreign currency financial statements translation is presented in other comprehensive income at the consolidated balance sheet within equity. Items of the statement of cash flows are translated using the spot exchange rate when they incurred. Effect arising from changes of exchange rates on cash and cash equivalents is presented separately in the statement of cash flows. When disposing of foreign operations, exchange differences of foreign currency financial statements attributable to the foreign operations are transferred to profit or loss for the current period entirely or in proportion with the disposal portion of the foreign operations.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments

(1) Classification and reclassification of financial instruments

Financial instruments are the contracts under which the financial assets of an entity are formed and correspondingly the financial liabilities or equity instruments of any other entity are formed.

① Financial assets

(i) 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.

(ii) 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.

(iii) The Group may make an irrevocable election at initial recognition to designate non-traded equity instruments as subsequently measured at fair value through other comprehensive income. The designation is made on the basis of single investment which meets the equity instrument definition from the aspect of the issuer.

(iv) The Group classifies a financial asset as subsequently measured at fair value through profit or loss unless it is subsequently measured at amortised cost or measured at fair value through other comprehensive income. The Group may make an irrevocable election at initial recognition to designate a financial asset as subsequently measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

(v) When the Group changes its business model for managing financial assets, all affected financial assets are reclassified from the first day of the next subsequent reporting period after the business model changes and the reclassification is applied prospectively from the reclassification date, meaning that any previously recognised gains, losses (including impairment gains or losses) or interest will not be restated.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(1) Classification and reclassification of financial instruments (Continued)

② Financial liabilities

Financial liabilities are classified at the time of initial recognition as: financial liabilities that are measured at fair value and whose changes are included in the current profit and loss; financial liabilities formed by the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets; do not belong to the first two Financial guarantee contracts in this situation, and loan commitments that do not fall into the first situation at lower than market interest rates; financial liabilities measured at amortized cost. All financial liabilities are not reclassified.

(2) Measurement of financial instruments

The Group measures financial instruments at fair value upon their initial recognition. The related transaction fees for the financial assets and financial liabilities subsequently measured at fair value through profit or loss are charged in profit or loss directly. The related transaction fees for other financial assets and financial liabilities are included in their initial costs. The Group measures the accounts receivable and notes receivable deriving from selling goods or providing services at their transaction price if the accounts receivable and notes receivable do not contain a significant financing component or the Group applies the practical expedient not considering the significant financing component. The subsequent measurement of a financial instrument is determined by its classification.

① Financial assets

(i) Financial assets measured at amortized cost.

The financial assets are measured subsequently at amortized cost using the effective interest method after initial recognition. The gains or losses calculated by the effective interest method which do not belong to any hedging relationships are recognized in profit or loss when the financial assets are derecognized, reclassified, amortized or impaired.

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:

- 1) 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.
- 2) 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.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Measurement of financial instruments (Continued)

① Financial assets (Continued)

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

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are categorized into financial assets measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch. Other than financial assets included in a portion of hedging relations, the Group subsequently measured these financial assets at fair value, gains or losses arising from changes in fair value and dividends and interest income related to these financial assets shall be recognized into profit or loss for the period.

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

- (iii) Financial assets measured at fair value with changes included in 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. After initial recognition, the financial assets are measured subsequently at fair value. The interest calculated by the effective interest method, impairment losses or gains and exchange gains or losses are recognized in profit or loss and other gains or losses are recognized in other comprehensive incomes. The accumulated gains or losses recognized in other comprehensive incomes will be reclassified in profit or loss upon derecognition of the financial assets.

The Group's financial assets at FVTOCI are presented in the line item "financing with receivables" in the balance sheet.

- (iv) 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. After initial recognition, the financial assets are subsequently measured at fair value. Except that dividends (excluding recovery of investment costs) from these equity instruments are recognized in profit or loss, other relevant gains and losses are recognized in other comprehensive income and will not be reclassified to profit or loss subsequently.

The financial assets designated as financial assets measured at FVTOCI are set out under the item "investments in other equity instrument".

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Measurement of financial instruments (Continued)

② 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.

- (i) Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivatives classified as financial liabilities) and those designated as at FVTPL.

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

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

After initial recognition, subsequent measurement of such financial liabilities is carried out at fair value. Except for hedging accounting, gains or losses (including interest expenses) arising from changes in the fair value of transactional financial liabilities are included in the current profits and losses. If a financial liability is designated as a financial liability measured at fair value and whose changes are included in the current profit and loss, the change in the fair value of the financial liability caused by the change in the enterprise's own credit risk is included in other comprehensive income, and other fair value changes are included in the current profit and loss. If the impact of the change in the credit risk of the financial liability is included in other comprehensive income that will cause or expand the accounting mismatch in the profit and loss, the Group shall include the entire gain or loss of the financial liability in the current profit and 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.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(2) Measurement of financial instruments (Continued)

② Financial liabilities (Continued)

- (ii) 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.

- (iii) 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.

(3) Measurement method of financial instruments' fair value

For financial instruments that active markets exist, the Group uses the quoted prices in the active markets to determine their fair value. If there is no active market for the financial instruments, the Group uses valuation techniques to determine their fair value. The valuation techniques mainly include market approach, income approach and cost approach. In limited conditions, if there is no sufficient updated information to determine the fair value, or the range of estimated fair value is so wide that the cost indicates the best estimate of the fair value, the cost may represent the appropriate estimate of the fair value within the distribution range. The Group makes use of all available information concerning the investee's business performance and operation to determine if the cost may represent its fair value.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) 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 New Standards for Revenue.

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

① 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;

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) Impairment of financial instruments (Continued)

① Significant increase of credit risk (Continued)

- 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 (inclusive) 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.

② Credit-impaired financial assets

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

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

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(4) Impairment of financial instruments (Continued)

③ Determination of expected credit loss

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

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

④ 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.

(5) Recognition basis and measurement method for the transfer of financial assets and financial liabilities

① Transfer of financial assets

A financial asset of the Group is derecognised when it meets one of the following conditions: (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset; (iii) the financial asset has been transferred, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it has not retained control.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset, and recognises related financial liabilities correspondingly.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

(5) *Recognition basis and measurement method for the transfer of financial assets and financial liabilities (Continued)*

① *Transfer of financial assets (Continued)*

On derecognition of a financial asset in its entirety, the difference between the following two items is recognised in profit or loss: (i) the carrying amount measured at the date of derecognition and (ii) the sum of the consideration received and the accumulated change amount of fair value recognised directly in other comprehensive income for the corresponding derecognition financial asset (relating to a financial asset measured at fair value through other comprehensive income).

If a financial asset is partly transferred, the entire carrying amount of the financial asset is split into the derecognised part and retained part according to their respective fair value at the derecognition date, and the difference between the following two items is recognised in profit or loss: a) the carrying amount measured at the date of derecognition which is allocated to the derecognized part; and b) the sum of the consideration received for the derecognised part and the accumulated change amount of fair value which has been recognised in other comprehensive income belonging to the corresponding derecognised part (relating to a financial asset measured at fair value through other comprehensive income).

When a non-traded equity instrument designated as measured at fair value through other comprehensive income is derecognised, the accumulated gains or losses recorded in other comprehensive income will be carried forward to retained earnings.

② *Financial liabilities*

When the present obligation specified in the contract is extinguished, the Group derecognizes a financial liability (or a part of a financial liability). 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 a financial liability (or a part of a financial liability) is derecognized, the Group recognizes the difference between the carrying amount of the financial liability (or a part of the financial liability) and the consideration paid (including any non-cash assets transferred or liabilities assumed) in profit or loss. 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) *Offsetting of 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 realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. 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. The approach and accounting treatment of expected credit losses (ECL) (Continued)

(1) *The approach of expected credit losses*

The Group recognizes loss allowance based on ECL on financial assets that are measured at amortized cost (including accounts receivable), financial assets measured at fair value through other comprehensive income (including receivables for financing), lease receivables, contract assets, as well as loan commitments which the Group does not classify to the financial liabilities measured at fair value through profit or loss and financial guarantee contracts which are not measured at fair value through profit or loss.

The Group assesses whether the credit risk on financial instruments have increased significantly since initial recognition at each balance sheet date and divides the credit risk impairment process into three stages and adopts different accounting treatment: (i) In the first stage, the credit risk on financial instruments has not significantly increased since initial recognition. The Group measures the loss allowance for the financial instruments at an amount equal to 12-month expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets. (ii) In the second stage, the credit risk on financial instruments has significantly increased since initial recognition which are not subject to impairment. The Group measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the gross carrying amount of the financial assets. (iii) In the third stage, the financial instruments are subject to impairment since initial recognition. The Group measures the loss allowance for the financial instruments at an amount equal to the lifetime expected credit losses, and calculates interest income by applying the effective interest rate to the net carrying amount (gross carrying amount minus the impairment allowance) of the financial instruments.

① *The approach of expected credit losses for the financial instruments with a low risk of default*

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition directly without comparing the credit risk with that on initial recognition if the financial instrument is determined to have a low credit risk at the balance sheet date.

If the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfil its contractual cash flow obligations, the financial instrument is considered to have a low credit risk.

② *The approach of expected credit losses for accounts receivable, contract assets, and lease receivables*

(i) Accounts receivable and contract assets not containing a significant financing component The Group adopts simplified approach, i.e. the measurement of lifetime ECL, to determine the impairment losses for accounts receivable and contract assets not containing a significant financing component that result from transactions within the scope of Accounting Standards for Business Enterprises No. 14- Revenue.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. The approach and accounting treatment of expected credit losses (ECL) (Continued)

(1) The approach of expected credit losses (Continued)

② *The approach of expected credit losses for accounts receivable, contract assets, and lease receivables (Continued)*

- (ii) Accounts receivable, contract assets and lease receivables containing a significant financing component

For accounts receivable, contract assets that contain significant financing components, and lease receivables specified in the Accounting Standards for Business Enterprises No. 21-Leases, the Group uses the general method, that is, the "three-stage" model to measure loss reserves.

③ *The approach of expected credit losses for other financial instruments*

The Group adopts the normal approach, i.e. the three-stage model, to determine the impairment losses for other financial instruments except aforementioned financial assets, like debt investments, other debt investments, other receivables, long-term receivables excluding lease receivables, financial guarantee contracts and loan commitments etc.

The Group considers the following factors for ECL measurement when assessing whether the credit risk on financial instruments has significantly increased or not:

- 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 (inclusive) 30 days.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. The approach and accounting treatment of expected credit losses (ECL) (Continued)

(1) The approach of expected credit losses (Continued)

③ The approach of expected credit losses for other financial instruments (Continued)

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.

(2) The accounting treatment of expected credit losses

The Group remeasures ECL at each balance sheet date to reflect the credit risk change of financial instruments after initial recognition and recognizes the additional or reverse amount of the impairment allowance in profit or loss of the current period as impairment losses or gains, which will be deducted from the carrying amount of the financial assets in the balance sheet, or recorded to the provisions for loan commitments or financial guarantee contracts or in other comprehensive income for financial assets measured at fair value through other comprehensive income depending on the category of the financial instruments.

12. Inventories

(1) Categories of inventories

Inventories are the finished goods or commodities that the Group holds to sell, the work in progress in production process, and the material and goods consumed during the production process or service rendering process in daily operation. Inventories include raw materials, revolving materials (packaging materials and low-value consumables etc.), consigned processing materials, work in progress, self-manufactured semi-finished product, finished goods (commodities) and costs to fulfil contracts, 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.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Inventories (Continued)

(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) Inventory system

The perpetual inventory system is maintained for stock system.

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

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.

13. Contract assets and contract liabilities

(1) Contract assets

The Group presents the right to consideration in exchange for goods or services that it has transferred to a customer as a contract asset when that right is conditioned on something other than the passage of time. The contract assets are subject to impairment based on expected credit losses. The approach and accounting treatment of expected credit losses for contract assets refers to Note V 11.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Contract assets and contract liabilities (Continued)

(2) Contract liabilities

The Group presents the obligation to transfer goods or services to a customer for which it has received (or the amount is due) from the customer as a contract liability.

The Group presents the contract assets and contract liabilities under the same contract as a net amount.

14. Long-term equity investment

(1) Determination of initial investment cost

Long-term equity investment acquired through a business combination: For a business combination involving enterprises under common control, the initial investment cost of a long-term equity investment is the holding share of the acquiree's equity in the ultimate controlling party's consolidated financial statements measured at the carrying amounts at the acquisition date. For a business combination not involving enterprises under common control, the initial investment cost of a long-term equity investment is the cost of acquisition determined at the date of acquisition. For a long-term equity investment acquired in cash, the initial investment cost is the amount of cash paid. For a long-term equity investment acquired by issuing equity securities, the initial investment cost is the fair value of the equity securities issued. For a long-term equity investment acquired by debt restructuring, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 12- Debt Restructuring. For a long-term equity investment acquired by exchange of non-cash assets, the initial investment cost is determined according to related requirements of Accounting Standards for Business Enterprises No. 7- Exchange of Non-monetary Assets.

(2) Subsequent measurement and recognition of profit or loss

Where the Group is able to exercise control over an investee, the long-term equity investment is accounted for using the cost method. Where the Group has investment in associates and joint ventures, the long-term equity investment is accounted for using the equity method. Where portion of the long-term equity investment in an associate is indirectly held through venture capital organizations, mutual funds, trust companies or similar entities including investment-linked insurance funds, regardless whether these entities can exercise significant influence on the investments, the Group treats the investment portion according to Accounting Standards for Business Enterprises No. 22- Financial Instrument Recognition and Measurement and accounts for the remaining portion using the equity method.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investment (Continued)

(3) *Basis for recognition of joint control or significant influence over an investee*

Joint control of an investee is that the decision of activities that can significantly affect the arrangement's return must require the unanimous consent of the parties sharing control, including sale and purchase of goods or services, financial assets management, purchase and disposal of assets, research and development activity and financing activities etc. The Group holding of 20%-50% voting capital of the investee presents it can exercise significant influence over the investee. The Group usually can exercise significant influence over the investee even its voting capital less than 20% if it can meet one of the following situations: Appointing representatives in the board of directors or similar governing body of the investee; Participating in the strategy and policy decision process; Delegating management personnel; The investee relying on the Group's technique or technical material; Significant transactions occur between the Group and the investee.

(4) *Impairment loss of long-term equity investments*

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 V 20)

(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.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. 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:

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

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

The estimated useful lives, estimated residual values and depreciation (amortization) rate of investment properties are reviewed and adjusted as appropriate at each year-end.

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

If the recoverable amounts of the investment properties are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V 20).

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets refer to tangible assets held for the purpose of producing commodities, services rendering, renting or business administration with useful lives exceeding one accounting year. Fixed assets can be recognized when the following criteria are met: (a) It is probable that the economic benefits relating to the fixed assets will flow into the Group; and (b) The costs of the fixed assets can be measured reliably.

(2) Classification and depreciation method of fixed assets

The categories of fixed assets mainly include: buildings, machinery & equipment, electronic equipment and transportation vehicles. The Group adopts the straight line method for depreciation. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

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

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 V 20).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Construction in progress

The construction in progress of the Group includes self-construction and sub-contracting construction. Construction in progress is transferred to fixed assets when it has reached the working condition for its intended use. The recognition criteria of intended use include any of the followings: The tangible work of fixed assets (including installation) have been entirely or substantively completed; Trial production or trial operation has occurred whose outcome indicates the asset can be operated properly or manufacture quality product steadily; No expenditure or insignificant expenditure occur subsequently for the constructed asset; The constructed asset has achieved or substantively achieved the requirement of design or contract.

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 V 20).

18. Borrowing costs

(1) Recognition criteria for capitalization of borrowing costs

Borrowing costs are capitalized when they are directly attributable to the acquisition, construction or production of a qualifying asset and included in the cost of related assets. Other borrowing costs are recognised as expenses and recorded in profit or loss for the current period when incurred. Qualifying assets that meet conditions for capitalization are fixed assets, investment property, inventory or other assets that take a substantial period of time for construction or production in order to get ready for their intended use or sale.

(2) Calculation of capitalization cost

Capitalization period refers to the period from commencement of capitalization of borrowing costs to its termination. The period during which capitalization is suspended is excluded. 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.

For designated borrowings, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing less any bank interest earned from unused funds of the designated borrowings or any investment income on the temporary investment of those funds. For funds borrowed for general purpose, the amount of interest to be capitalized on such borrowings is calculated by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of designated borrowings. Capitalization rate is determined by calculating weighted average interest rate of general borrowings. If there is any premium or discount of the borrowings, the interest cost shall be adjusted in every accounting period by the amortized amount of premium or discount calculating by effective interest method.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Borrowing costs (Continued)

(2) Calculation of capitalization cost (Continued)

Effective interest method is the method to calculate the amortization amount of premium or discount or interest expenses by the effective interest rate of the borrowings. The effective interest rate is the interest rate to discount the future cash flow of the borrowing during its expected duration to the present carrying amount of the borrowing.

During the capitalization period, the exchange differences of foreign currency special loans are all capitalized; the exchange differences of foreign currency general loans are included in the current profit and loss.

19. Intangible assets

(1) Valuation methods, Service life, impairment test

① The measurement of intangible assets

The Group's intangible assets include land use rights, concession assets, mining rights, software, patent and proprietary technology etc. Intangible assets are measured initially at cost. During the course of transformation of the Group into a limited liability Group, 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.

The actual cost of the purchased intangible assets shall be the actual price paid and related expenses. The actual cost of the intangible assets invested by the investor shall be determined at the value agreed in the investment contract or agreement, but if the value agreed in the contract or agreement is not fair, the actual cost shall be determined at the fair value. The cost of self-developed intangible assets is the total expenditure incurred before reaching the intended use.

The amortization method of intangible assets with limited service life is as follows:

Asset class	Useful life <i>(Year)</i>	Amortization method
Land use rights	40–70	Straight line method
Mining rights	Amortization is calculated based on the units of production method only on proved mining reserves.	Units of production method
The right to use the franchise		Note 1
Software	3–5	Straight line method
Patent and proprietary technologies	5–20	Straight line method

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

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

① The measurement of intangible assets (Continued)

Note 1: 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. After the completion of the relevant infrastructure projects of the concession arrangement, the financial assets calculate the interest and confirm the profit and loss according to the effective interest rate method during the concession period.

At the end of each year, the estimated service life and amortization method of intangible assets with a limited service life are reviewed and adjusted appropriately at the end of each year.

② Judgment basis for uncertain service life

The Group will not be able to foresee the period during which the asset will bring economic benefits to the Group, or intangible assets such as an indefinite period of use shall be determined as intangible assets with an indefinite useful life. The basis for determining the indefinite useful life is: derived from contractual rights or other statutory rights, but there is no clear useful life in contract or legal provisions; it is still impossible to judge that intangible assets bring economic benefits to the Group based on the industry situation or relevant expert demonstrations. The duration of the benefit.

At the end of each year, the service life of intangible assets with uncertain service life is reviewed, mainly in a bottom-up manner. The relevant departments of the use of intangible assets conduct basic reviews and evaluate whether there are changes in the judgment basis for uncertain service life.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

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

③ If the recoverable amounts of the intangible assets are less than the carrying amount, the carrying amount will be reduced to the recoverable amounts (Note V 20).

(2) Research and development expenditure

Specific standards for the research phase and development phase of internal research and development projects, and specific standards for expenditures in the development phase to meet the capitalization conditions

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.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Impairment of long-term assets

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

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

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

21. Long-term deferred expenses

Long-term deferred expenses refer to expenses that have been paid but their benefit period is more than one year (excluding one year). Long-term deferred expenses will be amortized in the benefit periods. If one long-term deferred expense can't benefit the Group in the subsequent periods, the remaining balance of the long-term deferred expense shall be recognised as expense in profit or loss for the current period.

22. Employee benefits

Employee benefits refer to all forms of consideration or compensation given by the Group in exchange for service rendered by employees or for the termination of employment relationship. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Employee benefits (Continued)

(1) Short-time employee benefits

During the accounting period in which the employees provide services, the Group's actual short-term remuneration is recognized as liabilities and included in the profits or losses of the current year or recognized as respective assets costs. At the time of actual occurrence, The Group's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value. Regarding to the health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Group paid for employees, the Group should recognize corresponding employees benefits payable and include these expenses in the profits or losses of the current year or recognized as respective assets costs.

(2) Post-employment benefits

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

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

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

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

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

Financial Statements

For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Employee benefits (Continued)

(3) Termination benefits

Liabilities arising from termination benefits and staff internal retirement plan are recognized after the edition of the termination agreement or notice to the employee. The Group should recognize the employee benefits liabilities related to the compensation of the labor relationship termination and charge to profit or loss at the time when the below two signals which happens earlier: The Group cannot withdraw from the compensation plan of the labor relationship termination by itself. 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.

23. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably. The Group conducts initial measurement based on the best estimate of the expenditure required to perform the relevant current obligations. If there is a continuous range of required expenditures, and the possibility of various results within the range is the same, the best estimate is based on the intermediate value is determined; if multiple projects are involved, the best estimate is determined according to various possible results and related probabilities.

On the balance sheet date, the book value of the estimated liabilities should be reviewed. There is conclusive evidence that the book value cannot truly reflect the current best estimate, and the book value should be adjusted according to the current best estimate.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Preference shares and perpetual bonds

(1) *Classification of financial liabilities and equity instruments*

Other financial instruments such as perpetual bonds issued by the Group (such as long-term rights-containing medium-term notes) are classified as financial debt or equity instruments according to the following principles:

- ① To settle the contract obligation in cash, by other financial assets or exchange of financial assets or liabilities. If the Group can't avoid paying cash or other financial assets unconditionally to fulfill its obligation in one contract, the obligation of contract meets the definition of financial liabilities.
- ② To settle the contract obligation by the Group's own equity instruments. If the financial instrument shall or can be settled by the Group's own equity instruments for the alternatives of cash or other financial assets, the financial instrument is a financial liability of the Group; if the holder of financial instrument can enjoy the rest equity benefit after the Group deducts all liabilities from the assets, the financial instrument is an equity instrument of the Group.
- ③ To distinguish between derivative financial instrument and non-derivative financial instrument when the Group shall or can settle the contract obligation using own equity instrument. For non-derivative financial instrument, if the Group has no obligation to settle by issuing convertible-quantity own equity instrument in the future, the non-derivative financial instrument is an equity instrument. Conversely the non-derivative financial instrument is a financial liability. For derivative financial instrument, if the Group can only settle the contract obligation using fixed-quantity own equity instrument to exchange fixed-amount cash or other financial assets, the derivative financial instrument is an equity instrument; if the Group uses fixed-quantity own equity instrument to exchange convertible-amount cash or other financial assets, or uses convertible-quantity own equity instrument to exchange fixed-amount cash or other financial assets, or when the transfer price is not fixed, uses convertible-quantity own equity instrument to exchange convertible-amount cash or other financial assets, the derivative financial instrument is a financial liability or a financial asset.

(2) *The accounting treatment for perpetual bonds*

The Group accounts for the financial instruments that is classified as financial liabilities by the account "Bonds payable", calculates interest and adjusts the carrying amount of the interests payable etc. in accordance with the regulation of financial liability subsequent measurement with amortized cost in the financial instrument recognition and measurement standard. The Group accounts for the equity instruments in the account "other equity instruments" and treats the dividend payments (including interests arising from instruments that are classified as equity instruments) as profit distribution during the equity instruments' existence.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenues

(1) Accounting policies used in revenue recognition and measurement

The Group's revenue is mainly from the following business types: Engineering contracting, Real estate development, Equipment manufacturing, Resources development.

The Group recognises revenue at the allocated transaction price when it satisfies a performance obligation in a contract, i.e. the customer obtains the control of related goods or services. Obtaining control of related goods means the ability to direct the use of, and obtain substantively all the benefits from it. A performance obligation is the Company's a promise in a contract with a customer to transfer to the customer a good or service (or a bundle of goods or services) that is distinct. The transactions price is the amount of consideration to which the Company 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 to be expected to repay the customer.

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

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

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

① Determining the transaction price

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

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenues (Continued)

(1) Accounting policies used in revenue recognition and measurement (Continued)

① Determining the transaction price (Continued)

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenues (Continued)

(1) Accounting policies used in revenue recognition and measurement (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.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenues (Continued)

(1) Accounting policies used in revenue recognition and measurement (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.

(i) 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:

- the customer obtains and consumes economic benefits at the same time of the Group's performance;
- the customer is able to control goods or services in progress during the Group's performance;
- 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.

(ii) 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;

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Revenues (Continued)

(1) Accounting policies used in revenue recognition and measurement (Continued)

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

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

- The Group has transferred the significant risks and rewards of ownership of the good to the customer, namely, the customer has obtained the significant risks and rewards of ownership of the good;
- The customer has accepted the good or services;
- Other indications reflecting that the customer has obtained the control over the good or services.

⑤ Accounting treatment of specific transaction

(i) Sales attached with quality warranty terms

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

(ii) A principal and 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.

26. Contract costs

The Group's contract costs include incremental costs incurred to obtain contracts and contract performance costs. Incremental costs incurred to obtain a contract ("contract acquisition costs") refer to costs that would not be incurred without obtaining the contract. If the cost is expected to be recovered, the Group recognizes it as a contract acquisition cost as an asset.

The cost incurred by the Group for the performance of the contract that does not fall within the scope of other business accounting standards such as inventory and meets the following conditions at the same time is recognized as an asset as contract performance cost:

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Contract costs (Continued)

- (1) The cost is directly related to the current or expected contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), clearly borne by the user, and other costs incurred only due to the contract;
- (2) the costs enhance resources of the Group that will be used in satisfying performance obligations in the future;
- (3) The cost is expected to be recovered.

The Group amortizes the assets recognized by contract performance costs (hereinafter referred to as "assets related to contract costs") for contract acquisition costs on the same basis as the commodity revenue recognition related to the assets, and is included in the current profit and loss.

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:

- (a) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs expected to be incurred to transfer the relative goods or services.

27. Government grants

(1) *Category and accounting treatment of government grants*

Government grants are transferred of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to it and the grant will be received. If a government grant takes the form of a monetary asset, it is measured at the amount received or receivable. If a government grant takes the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

Government grants received by the Group related to routine activities are recognized in other income or as reductions in the related costs and expenses according to the economic nature of business; whereas government grants received by the Group other than those related to routine activities are recognized in non-operating income.

If the government documents explicitly state that the government grants will be used to establish or form long-term assets, the government grants will be classified as government grants related to assets. If there is no explicit subsidy object in the government document, the portion related to long-term assets will be classified as government grants related to assets and the rest portion will be classified as government grants related to income. If the category of a government grant can't be distinguished reasonably, all the government grant will be classified as government grants related to income. Government grants related to assets are recognized as deferred income which are amortized in profit or loss for each period over the related assets' estimated useful period on a systematic basis.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Government grants (Continued)

(1) *Category and accounting treatment of government grants (Continued)*

Except those grants which are classified as government grants related to assets, other government grants are classified as government grants related to income. If the grant related to income is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and amortized in profit or loss or deducted from related cost over the periods in which the related costs are recognized. If the grant related to income is a compensation for related expenses or losses already incurred, the grant is recognized directly in profit or loss for the current period or deducted from related cost.

When a bank receives the discount interest fund from the financial sector and then provides a loan to the Group with preferential interest rate, the Group accounts for the loan at the actual received amount and related interest expenses will be calculated based on the principal and the preferential interest rate. When the Group receives the discount interest fund from the financial sector directly, the discount interest fund will be deducted from related borrowing cost.

(2) *The recognition timing for government grants*

The government grants will be recognized when the Group meets the accompanying conditions of the government grants which are entitled to be received. The receivable government grants will be recognized when there are conclusive evidence to indicate the Group could meet all related requirements of the government grants and the Group expects to receive the government grants in the future. Other government grants will be recognized when the grant fund is received.

28. Deferred tax asset and deferred tax liability

- (1) According to the difference between the book value of assets and liabilities and their tax base (the tax base of items not recognized as assets and liabilities can be determined in accordance with the tax law, the tax base is determined as the difference), the asset is recovered as expected Or the applicable tax rate during the period when the liability is settled is calculated and confirmed deferred income tax assets or deferred income tax liabilities.
- (2) Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized and should be recognized for deductible loss or tax reduction that could be carried forward in subsequent periods to the extent that it is probable that taxable income will be available against which deductible loss or tax reduction can be utilized. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced.
- (3) 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.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Leases

(1) *The accounting treatment for lessee*

At the lease commencement date, the Group recognizes right-of-use assets and lease liabilities for all other leases except short-term leases and leases of low-value assets, and will recognize depreciation expenses and interest expenses separately over the lease term.

The Group recognizes rental expenses in profit or loss applying a straight-line basis in each period over the lease term for short-term leases and leases of low-value assets.

① *Right-of-use assets*

Right-of-use assets represent a lessee's rights to use the underlying assets for the lease term. At the commencement date, a right-of-use asset is measured at cost. The cost includes: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date, less any lease incentives received if such lease incentives exist; (iii) any initial direct costs incurred by the lessee; and; (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, 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.

Right-of-use assets of the Group are depreciated by the straight line method based on their category. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If the Group can reasonably be certain that the ownership of a leased asset will be obtained at the expiration of the lease term, the related right-of-use asset is depreciated over the useful life of the underlying asset. The related right-of-use asset is depreciated over the shorter of lease term and residual use life of the underlying asset if the Group can not reasonably be certain that the ownership of a leased asset will be obtained at the expiration of lease term.

The Group determines whether a right-of-use asset is subject to impairment or not in accordance with the requirements of Accounting Standards for Business Enterprises No. 8- Impairment of assets.

② *Lease liabilities*

At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments include: (i) fixed payments (including in-substance fixed payments) less any lease incentives if such lease incentives exist; (ii) variable lease payments that depend on an index or a rate; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Group uses the interest rate implicit in the lease as the discount rate. If that rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group calculates the interest expenses which are recorded in finance expenses using the constant periodic rate of interest in each period during the lease term. The periodic rate of interest is the discount rate or adjusted discount rate the Group uses.

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Leases (Continued)

(1) The accounting treatment for lessee (Continued)

② Lease liabilities (Continued)

Variable lease payments which are not included in the measurement of lease liabilities are recognized in profit or loss when they actually occur.

If the assessment of an option to renew, terminate or purchase the underlying asset changes, the lease liability is remeasured by the revised lease payments using a revised discount rate and the carrying amount of right-of-use asset is revised accordingly. When there is a change in the in-substance fixed payment, the amount expected to be payable under a residual value guarantee, or the variable lease payment that depends on an index or a rate, the lease liability is remeasured by the revised lease payments using an unchanged discount rate and the carrying amount of right-of-use asset is revised accordingly.

(2) The accounting treatment for lessor

① The accounting treatment for operating lease

The Group recognizes lease payments for operating leases in profit or loss applying a straight-line basis in each period over the lease term. The Group capitalized the initial direct expenses incurred which are amortized in profit or loss over the lease term on the same recognition basis as the lease income.

② The accounting treatment for finance lease

The Group recognizes the unearned finance income by the difference between the sum of finance lease receivable and unguaranteed residual value, and their present value at the commencement date, which will be recognized as lease income in the periods to collect lease payment. The initial direct expenses incurred relating to the lease transaction will be included in the initial carrying amount of finance lease receivable.

30. Held-for-sale and discontinued operations

Non-current assets or disposal Groups are classified as held-for-sale assets when all the following conditions are met: (a) the asset (or disposal Group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal Groups); (b) the sale must be highly probable, i.e. the Group has signed an irrevocable transfer agreement with the transferee and the transfer is expected to be completed within one year. If related regulations require pre-approval for the sale, the sale transaction has been approved.

When non-current asset (or disposal Group) classified as held for sale is initially measured or remeasured at each balance sheet date, if the book value of the non-current asset (or disposal Group) is higher than its fair value, the difference will be deducted from the book value and recognised as impairment provision of held for sale in profit or loss of current period.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Held-for-sale and discontinued operations (Continued)

Non-current asset (or disposal Group) classified as held-for-sale asset will be presented as held-for-sale assets and the liabilities in the disposal Group will be presented as held-for-sale liabilities in the balance sheet.

A discontinued operation is a clearly distinguished component of an entity, that either has been disposed of, or is classified as held for sale, and meets any of the following criteria:

- (1) represents a separate major line of business or geographical area of operations,
- (2) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- (3) is a subsidiary acquired exclusively with a view to resale.

31. Other significant accounting policies and accounting estimates

(1) *Distribution of dividends*

The cash dividend of the Group 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 XV 1.

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

(4) Significant accounting estimates and judgments

In the process of applying the aforementioned accounting policies, the Group needs to make judgments, estimates and assumptions on the book value of statement items that cannot be accurately measured due to the inherent uncertainty in operating activities. These judgments, estimates and assumptions are made based on the past historical experience of the management of the Group and taking into account other relevant factors. Actual results may differ from the Group's estimates.

The Group reviews the aforementioned judgments, estimates and assumptions on the basis of continuing operations on a regular basis. Changes in accounting estimates only affect the current period of the change, and the amount of impact is recognized in the current period of the change; if the change affects both the current period and the future period, the impact The number is confirmed in the current period of the change and in the future period.

(5) Important judgments made in the process of applying accounting policies

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

Perpetual bond

According to the terms of the issue, the issued perpetual bond has no maturity date. The Group has the right to defer interest payment and the option for redemption of perpetual bond. The Group 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 III 24, to be recorded as equity instrument. Details are set out in Note VII 46.

32. Significant judgements in applying the Group's accounting policies and critical assumptions and uncertainty factors involved in accounting estimates

When the Group applies the accounting policies in Note V, the Group needs to make judgements, estimates and assumptions for the items in the financial statements whose carrying amounts can't be accurately measured. These judgements, estimates and assumptions are made based on the Group's previous historical experience and consideration of other relevant elements, and the actual outcome may be different with the Group's estimates. Critical assumptions and uncertainty factors involved in accounting estimates, which may cause significant adjustments for the carrying amounts of assets and liabilities in the future periods are summarized as follows:

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:

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For the six months ended 30 June 2020

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant judgements in applying the Group's accounting policies and critical assumptions and uncertainty factors involved in accounting estimates (Continued)

(1) Progress on 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.

(2) Credit loss provision

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

(3) 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.

(4) Impairment losses of 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 and investment properties measured at cost model. The recoverable amount of the asset or assets Group is the higher of the present value of future cash flow estimated to be derived from the asset and the fair value less costs to sell.

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 14.29% to 17.33 % for the reporting period (for the year ended 31 December 2019: 14.29% to 17.33%).

V. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Significant judgements in applying the Group's accounting policies and critical assumptions and uncertainty factors involved in accounting estimates (Continued)

(4) *Impairment losses of assets (Continued)*

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.

(5) *Tax*

The Group 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.

(6) *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.

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VI. TAXES

1. Main taxes categories and tax rates

Tax category	Tax base	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 April 2019.

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

The foreign business entities subject to different enterprise income tax rate.

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 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%
MCC Jiaonai India Engineering Technology Co., Ltd.	30%
Papua New Guinea Subsidiary of MCC Wuhan Survey Research Institute Co., Ltd.	30%
China ENFI (Chile) SAS	28%
China First Metallurgical India (Private) Ltd.	25.17%
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%

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For the six months ended 30 June 2020

VI. TAXES (CONTINUED)

1. Main taxes categories and 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 Brisa Ltd.	20%
MCC Tian Gong (Kuampuchea) Engineering Technology Co., Ltd.	20%
China 22MCC Group Russia Co., Ltd.	20%
MCC Kampuchea Overseas Ltd.	20%
MCC Constructing (Tailand) Ltd.	20%
China Cambodia Development Construction Co., Ltd.	20%
MCC International (Kuampuchea) Ltd.	20%
Shanghai Baoye (Kampuchea) Co., Ltd.	20%
China nineteen Metallurgical Group Vietnam Co., Ltd.	20%
Seventeen Metallurgical Group Tashkent Foreign Enterprise Co., Ltd.	20%
China Metallurgical Construction Research (Cambodia) 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.	16.50%
Nan Hua International Engineering Ltd.	16.50%
Xiong Hui Investment Ltd.	16.50%
MCC Real Estate Hong Kong Co., Ltd.	16.50%
Chinese Metallurgical Engineering Technology (Hong Kong) Co., Ltd.	16.50%
MCC Holding (Hong Kong) Corporation Limited	16.50%
MCC-CISDI Engenharia do Brisa 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%
MCC Duda Mining Development Co., Ltd.	0.00%
China Metallurgical Group Resources Development Co., Ltd.	0.00%
China Metallurgical New Energy (Pakistan) Co., Ltd.	0.00%

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VI. TAXES (CONTINUED)

2. Tax incentive

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

According to the Circular of the MoF, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Preferential Tax Policies for the Development of the Western Regions("Cai Shui [2001] No.202"), Guoshui [2002] No.47 and Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies ("Cai Shui [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 Group 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:

- ① MCC-SFRE Heavy Industry Equipment Co., Ltd. has been levied at a preferential tax rate of 15% from 2006 to 2020.
- ② China Metallurgical Construction Engineering Group Co., Ltd. has been levied at a preferential tax rate of 15% from 2007 to 2020.
- ③ 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.
- ④ 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.
- ⑤ CISDI Group Chongqing Information and Technology Co., Ltd. has been levied at a preferential tax rate of 15% from 2016 to 2020.
- ⑥ 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 a preferential tax rate of 15% from 2017 to 2020.
- ⑦ CISDI Technology Research Center Co., Ltd., CISDI Architectural & Municipal Design Co., Ltd., Tibet China Metallurgical Construction Co., Ltd. are levied at a preferential tax rate of 15% from 2018 to 2020.

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VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

(2) Preferential Tax Policies for High-Technology Enterprises

The following subsidiaries of the Group 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:

- ① Central Research Institute of Building and Construction Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., China MCC 5 Group Co., Ltd., MCC Communication Construction Group Co., Ltd., ShenKan Engineering & Technology Corporation, MCC, Ceristar Electric Co., Ltd., CERI Phoenix Industrial Furnace Co., Ltd., CERI Long Product 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, Beijing Chongjian Project Co., Ltd. and Beijing Tianrun Construction Co., Ltd. have been levied at a preferential tax rate of 15% from 2017 to 2020.
- ② Huatian Energy Conservation Environmental Protection Research Institute Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd., MCC Huatian Energy Conservation Environmental Protection Research Institute Co., Ltd. have been levied at a preferential tax rate of 15% from 2020 to 2023.
- ③ MCC South (Wuhan) Automation Co., Ltd., MCC South (Wuhan) Thermal Engineering Co., Ltd., MCC South Engineering Technology Co., Ltd., MCC Southern Metropolis Environmental Engineering Technology Co., Ltd., MCC South (Wuhan) Information Technology Engineering Co., Ltd., China Metallurgical (Guizhou) Construction Investment Development Co., Ltd., MCC-17 Group Co., Ltd., MCC Equipment Architectural Design Engineering (Shanghai) Co., Ltd., MCC Dadi Engineering Consulting Co., Ltd., MCC Energy Conservation and Environmental Protection Co., Ltd., Tianjin Yejian Special Materials Co., Ltd. have been levied at a preferential tax rate of 15% from 2020 to 2022.
- ④ China Metallurgical Construction Research Institute (Shanghai) Co., Ltd., MCC Tiangong Tianjin Co., Ltd., MCC North (Dalian) Engineering Technology Co., Ltd., Shanghai MCC 20 Group Co., Ltd., MCC Tiangong Group Co., Ltd., MCC Wuhan Metallurgical Construction Research Institute Co., Ltd., Hunan MCC Changtian Heavy Industry Technology Co., Ltd., MCC Jiaonai (Dalian) Engineering Technology Co., Ltd., MCC Huatian Nanjing Electric Engineering Technology Co., Ltd., Xi'an Huijin Technology Co., Ltd., China Metallurgical Construction Research Institute (Shenzhen) Co., Ltd., Beijing Sida Jianmao Technology Development Co., Ltd. have been levied at a preferential tax rate of 15% from 2019 to 2021.
- ⑤ MCC Huatian Nanjing Engineering Technology Co., Ltd., Shanghai Baoye Engineering Technology Corp., Ltd., MCC CCID Shanghai Engineering Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2020.

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VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

- ⑥ Hunan Hetian Engineering Project Management Co., Ltd., MCC Southern Continuous Casting Technology Engineering Co., Ltd., Shanghai Baoye Group Co., Ltd., MCC Wuhan Survey Research Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., MCC Baosteel Technical Service Co., Ltd., Shanghai Twenty Metallurgical Construction Co., Ltd., Beijing Yuanda International Engineering Management Consulting Co., Ltd., Beijing Newvisun Construction Engineering Technology Co., Ltd., Beijing China Metallurgical Equipment Research and Design Institute Co., Ltd., MCC 19th Group Co., Ltd., Wuye Group Shanghai Co., Ltd., Wuhan First Metallurgical Steel Structure Co., Ltd., MCC Huatian Nanjing Electric Engineering Technology Co., Ltd., MCC (Beijing) Transportation Technology Development Co., Ltd., Beijing Jinwei Welding Materials Co., Ltd., Ma'anshan Seventeen Metallurgical Engineering Technology Co., Ltd., Beijing Jingcheng Kelin Environmental Protection Technology Co., Ltd., MCC Shenkan (Qinhuangdao) Engineering Design and Research Institute Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Hebei Guopeng Building Material Co., Ltd., MCC Northwest Engineering Technology Co., Ltd., MCC Chengdu Research Institute Co., Ltd., MCC Saidi Electric Technology Co., Ltd., MCC South Wuhan Iron and Steel Design and Research Institute Co., Ltd., MCC South Handan Wupeng Furnace Lining New Material Co., Ltd., China Metallurgical Tiangong (Tianjin) Equipment Manufacturing Co., Ltd., MCC Dongfang Engineering Technology Co., Ltd., Tianjin Xinbin Engineering Technology Testing Co., Ltd., Fangchenggang Zhongyi Heavy Industry Co., Ltd., Shanghai Baoye Building Decoration Co., Ltd., 22nd Metallurgical Group Xinjiang Equipment Manufacturing Co., Ltd., MCC 22nd Group Co., Ltd., MCC Heavy Industry (Xinjiang) Co., Ltd., 22nd Metallurgical Group Equipment Manufacturing Co., Ltd., MCC CCID Engineering Technology Co., Ltd. have been levied at a preferential tax rate of 15% from 2018 to 2020.

(3) The other major preferential tax benefits

- ① 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 Lu'an 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 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 year 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 year was 12.5%.

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VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

- ② 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 year was 12.5%.
- ③ 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 ("Cai Shui [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.

- ④ 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 ("Cai Shui [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.

- ⑤ 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., Urban Environmental Protection Zhuxi County Water Affairs Co., Ltd., Urban Environmental Macheng Water Co., Ltd., Urban Environmental Protection Wuhan Water Co., Ltd. is applicable to the above provisions and subject to tax rate of 0.00% for the current year.

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VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

- ⑥ 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 RMB3 million is subject to reduction of 50% and applies enterprise income tax rate of 20%.

In 2020, Industrial Construction Magazine Agency, Beijing Anhui Property Management Co., Ltd., Beijing Xinpeng Energy Technology Co., Ltd., Beijing Xinguang Technology Co., Ltd., China Metallurgical Construction Engineering Group Bengbu Construction Co., Ltd., Steel Magazine (Hubei) Co., Ltd., Chongqing MCC Property Management Co., Ltd., MCC 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., Beijing Zhongye Jianyan Property Management Co.,Ltd., Shanghai Baosteel MCC 5 Dedusting Equipment Co.,Ltd., MCC 5 Group Shanghai Yuanzhu New Building Materials Co.,Ltd., MCC Real Estate Service Co., Ltd., Beijing MCC Capital Engineering & Research Incorporation Limited, Shanghai ZhiDa Electronic Co., Ltd., Shanghai Baoding Environmental Engineering Technology Service Co., Ltd., Shanghai Baoshan District Jiangyuan Training Center, Shanghai Baoye Education and Training Center, Shanghai Baoye Engineering Management Co., Ltd., Baotou Beilei Supervision Consulting Co., Ltd., Shanghai Baosteel No.5 Metallurgy Metal Structure Co., Ltd., MCC 5 Shanghai Engineering & Research Construction 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, WISDRI (Hunan) Engineering and Technology Co., Ltd., Inner Mongolia Construction Investment Co., Ltd., MCC Zhongyuan Construction Investment Co., Ltd., Beijing ENFI Property Management Co., Ltd., MCC 5 Chengdu Tianfu New Area Construction Co., Ltd., Sichuan Metallurgy Construction Engineering Quality Checking and Measuring Co., Ltd., Tianjin Xinbin Engineering Technology Detection Co., Ltd., Guangzhou Shirong International Trade Co., Ltd., MMC 19 Shenzhen Construction Co., Ltd., Ma'anshan Water Corporation, MCC, MCC Xuancheng Water Co., Ltd., China Metallurgical (Hainan) Investment Development Co., Ltd., Chongqing MCC Real Estate Development Co., Ltd., Qingdao MCC Oriental Hotel Management Co., Ltd., Shanghai Baoye Vocational Skills Training Center, Shanghai Xinding Construction Engineering Technology Co., Ltd.,Wuye Group Chengdu New Construction Technology Service Co., Ltd.,Wuye Chengdu Concrete Equipment Leasing Co., Ltd.,Chengdu MCC Yanjing Real Estate Co., Ltd.,Wuye Group Shanghai Equipment Material Supply Co., Ltd.,Fangchenggang MCC Xinggong Real Estate Co., Ltd.,Lu'an MCC Water Co., Ltd., Chongqing CCIDA Data Technology Co., Ltd., Beijing Jingcheng Serui Information Technology Co., Ltd., and Beijing Jingqiu Energy Saving New Technology 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%.

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For the six months ended 30 June 2020

VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

- ⑦ According to the circular Guoshui [2009]185 On the Issue of Enterprise Income Tax Preferential Management of the Comprehensive Utilization of Resources and Cai Shui [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 Group enjoyed the aforesaid preferential policy in 2020.

- ⑧ 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 ("Cai Shui [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., MCC TianGong Group Corporation Limited. 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 2020.

- ⑨ 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 ("Cai Shui [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.

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For the six months ended 30 June 2020

VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

⑨ (Continued)

BERIS Engineering and Research Co., Ltd., MCC Baosteel Technology Services Co., Ltd., China MCC 20 Group Co., Ltd., China MCC 19 Group Co., Ltd., China MCC 19 Group (Fangchenggang) Structure of the Equipment Co., Ltd., China MCC 19 Group of Chengdu Construction Co., Ltd., 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., MCC Xi'an Electric Furnace Institute Co., Ltd., MCC-SFRE Heavy Industry Equipment Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Hunan Changtian Automation Co., Ltd., Hunan Zhongye Changtian Heavy Industry Technology Co., Ltd. Hunan Zhongye Changtian Energy Conservation and Environmental Protection Technology Co., Ltd., MCC Tian Gong (Tianjin) Equipment Manufacturing Co., Ltd., Kunshan MCC Baosteel Welding Material Co., Ltd., Shanghai MCC Environmental Engineering Technology Co., Ltd., Hunan Hetian Engineering Project Management Co., Ltd., MCC Chengdu Reconnaissance and Research Institute Limited, Tianjin Xinbin Engineering Technology Detection Co., Ltd., Shanghai MCC 20 Group Co., Ltd., Shanghai Baoye Group Co., Ltd., MCC 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. WISDRI Urban Design and Construction Co., Ltd, Beijing Metallurgical Equipment Research Design Institute Co., Ltd., and Shanghai Yuanzheng Technology Co., Ltd. enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2020.

⑩ According to "Cai Shui [2015] No.78", The MoF and the State Administration of Taxation on issuing the Notice of the Comprehensive Utilization of Resources "Products and Services" of Value Added Tax Preferential Directory, enterprises provide products and labor service using the above resources can enjoy VAT refund policy.

Xiaogan Zhongshe Water Co., Ltd., Beijing Zhongshe Water Treatment Co., Ltd., Lanzhou Zhongtuo Water Corporation, Changzhou ENFI Water Co., Ltd., Laian Huatian Water Corporation MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Lu'an 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 Group, Wenxian Zhongtuo Water Supply Co., Ltd., Qinhuangdao Funing District MCC Water Co., Ltd.,Wuxi Xidong Environmental Energy Co., Ltd., Xiangyang ENFI Environmental Protection Energy Co., Ltd., Dingyuan Water Corporation MCC, MCC Xuancheng Water Co., Ltd., MCC Qinhuangdao Water Co., Ltd.,Urban Environmental Macheng Water Co., Ltd., and Urban Environmental Protection Zhuxi County Water Affairs Co., Ltd.,enjoyed the policy of "levy and refund" of value-added tax refund of 70% for the sewage treatment services since July 1, 2015.

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For the six months ended 30 June 2020

VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

- ⑪ 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 ("Cai Shui [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.

- ⑫ 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 ("Cai Shui [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%.

- ⑬ According to the MoF and the State Administration of Taxation on issuing Concerning Value-added Tax Policy on Software Products ("Cai Shui [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 2021, 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%.

- ⑭ According to "Cai Shui [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 2020. The income derived from the technology transfer of Zhong Ye Chang Tian International Engineering Co., Ltd. was exempted from the value-added tax in 2020. The technology development business income and the technology transfer income of MCC Huatian Engineering Technology Co., Ltd. and Xi'an Electric Furnace Research Institute Co., Ltd. was exempted from the value-added tax in 2020.

- ⑮ According to the "Cai Shui [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 2020. China Metallurgical Construction (Shenyang) Co., Ltd. enjoyed the exemption from land use tax in 2020.

- ⑯ According to the "Cai Shui [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 2020.

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For the six months ended 30 June 2020

VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

- ⑰ 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 (Yantai) 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 2020.
- ⑱ 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, Qingdao Oriental Hotel Management Co., Ltd., and Beijing-Tianjin-Hebei MCC Mingxin Infrastructure Construction Co., Ltd. applicable to this policy since 2019.
- ⑲ 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 for 4 years in 2020.
- ⑳ According to the Notice of the Ministry of Finance on Adjusting the Relevant Policies of Certain Government-Managed Funds ("Cai Shui [2019] No. 46") issued by the Ministry of Finance, from 1 July 2019 to 31 December 2024, the tax of the construction fee of cultural undertakings classified to the central revenue shall be levied at 50% of the amount of contributions payable of the taxpayer; the tax of the construction fee of cultural undertakings classified to local revenue, the Ministry of Finance and Party Committee Publicity Departments of each province (district, city) could be levied at an exempted percentage within 50% in combination with local economic development level, publicity, ideological and cultural development and other factors. Zhong Ye Chang Tian International Engineering Co., Ltd. adopts this policy in 2020.
- ㉑ According to the Notice on Tax Policies of Small-scale VAT Taxpayers ("Ji Cai Shui [2019] No. 6") issued by Hebei Provincial Department of Finance and Hebei Provincial Taxation Bureau, Hebei Province reduced resource tax (excluding water resource tax), urban maintenance and construction tax, real estate tax, urban land use tax and stamp tax(excluding stamp tax on securities transactions), farmland occupation tax, education surcharges and local education surcharges by 50% of the taxable amount for small-scale VAT taxpayers from 1 January 2019 to 31 December 2021. China Huaye Handan Real Estate Management Center adopts this policy in 2020.

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For the six months ended 30 June 2020

VI. TAXES (CONTINUED)

2. Tax incentive (Continued)

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

- ⑳ The Department of Finance of Shandong Province and the State Administration of Taxation, Shandong Provincial Taxation Bureau, jointly issued the "Notice on the Reduction and Exemption Policy of Urban Land Use Tax for Property Tax During the Period of Epidemic Prevention and Control" (Lu Cai Shui [2020] No. 16) Article 1 stipulates: Serious impact on the epidemic Taxpayers in the six categories of industries can apply for exemption from real estate tax and urban land use tax in the first quarter of 2020, Qingdao MCC Minghua Development Co., Ltd., Qingdao MCC Oriental Hotel Management Co., Ltd. and MCC Dongfang Engineering Technology Co., Ltd., adopts this policy in 2020. The "Notice on the Policy for the Difficulty Reduction and Exemption of Property Tax and Urban Land Use Tax During the Period of Epidemic Prevention and Control" Anhui Caishui Law [2020] No. 287 Article 1 stipulates: For transportation, accommodation and catering, residents' services, and property owned by cultural, sports and entertainment enterprises, Land, exempt from property tax for 3 months, urban land use tax, MCC South (Chizhou) Gas Co., Ltd., adopts this policy in 2020. Shanxi Provincial Department of Finance, State Administration of Taxation, Shanxi Provincial Taxation Bureau, "Notice on Matters Concerning the Relief and Exemption of Urban Land Use Tax and Real Estate Tax Difficulties in Fighting the Epidemic" Shancaishui [2020] No. 4 Regulation: The first quarter of 2020 will be suspended due to the impact of the epidemic If it is difficult to pay urban land use tax and real estate tax for a total of more than 30 days (including 30 days), and the taxpayer applies for difficulty reduction or exemption, the finance and taxation department shall approve it. MCC-SFRE Heavy Industry Equipment Co., adopts this policy in 2020.
- ㉑ Participated in the prevention and control of the epidemic in accordance with the "Announcement on Implementing Vehicle and Vessel Tax Policies in Response to the Novel Coronavirus Pneumonia" (Caishui [2020] No. 2) by the Sichuan Provincial Department of Finance, the State Administration of Taxation, Sichuan Provincial Taxation Bureau, China Banking and Insurance Regulatory Commission, and Sichuan Regulatory Bureau. The vehicles of medical and health institutions and logistics enterprises are exempted from the 2020 vehicle and vessel tax. China 19 MCC Group Co., Ltd., adopts this policy in 2020.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Cash	23,261	18,581
Bank deposits	37,552,600	30,757,024
Other cash and bank balances	13,133,745	12,902,057
Total	50,709,606	43,677,662
Including: Total amount of deposits abroad	1,907,748	2,725,729

As at 30 June 2020, restricted cash and bank balances were RMB10,777,705'000 (as at 31 December 2019: RMB11,862,762'000) (Note VII 70), which mainly including deposits for issuing acceptance bills, and statutory deposit reserve at the central bank, etc.

2. Financial assets held for trading

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Financial assets at FVTPL	2,284,333	2,162,432
Including: Currency funds	2,283,471	2,161,485
Equity instruments held for sale	862	947
Total	2,284,333	2,162,432

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

3. Derivative financial assets

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Forward foreign exchange settlement and sale contracts	—	401
Total	—	401

For method of determining the fair value of derivative financial assets, refer to Note XI.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Bills receivable

(1) Bills receivable analyzed by category

All amounts in RMB'000

Items	30 June 2020			31 December 2019		
	Book value	Provisions for credit losses	Carrying amount	Book value	Provisions for credit losses	Carrying amount
Bank acceptance bills	3,613,589	–	3,613,589	3,212,570	–	3,212,570
Commercial acceptance bills	4,839,859	2,945	4,836,914	4,714,827	9,370	4,705,457
Total	8,453,448	2,945	8,450,503	7,927,397	9,370	7,918,027

(2) Pledged bills receivable at 30 June 2020

All amounts in RMB'000

Items	30 June 2020
Bank acceptance bills	1,372,389
Commercial acceptance bills	138,718
Total	1,511,107

(3) Bills receivable endorsed to other parties or discounted but not yet due at 30 June 2020

As at 30 June 2020, bills receivable endorsed to other parties or discounted with recourse but not yet due were RMB2,139,729'000 (as at 31 December 2019: RMB3,443,595'000), among which the amount derecognized was RMB1,915,749'000 (as at 31 December 2019: RMB2,553,324'000). 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 RMB223,980'000 (as at 31 December 2019: RMB890,271'000). The Group is of the view that the Group retains nearly all 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 2020, the balance of impairment provision for the Group's bills receivable is RMB2,945'000 (as at 31 December 2019: RMB9,370'000).

(5) Bills receivable with title restriction as at 30 June 2020 are set out in Note VII 70.

Financial Statements

For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable

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

All amounts in RMB'000

Aging	30 June 2020	31 December 2019
Within 1 year	49,726,860	44,923,491
1 to 2 years	10,893,665	10,692,579
2 to 3 years	5,127,245	6,652,379
3 to 4 years	3,546,296	3,780,365
4 to 5 years	3,346,797	3,772,682
Over 5 years	9,985,661	9,705,858
Total book value	82,626,524	79,527,354
Less: provisions for credit losses	13,608,659	13,500,748
Carrying amount	69,017,865	66,026,606

Settlement of trade receivables generated through engineering and construction services is made in accordance with terms specified in the contracts governing the relevant transactions, and the aging of relevant trade receivables is calculated based on the settlement time-point of the project.

5.2 Disclosed by method of determining provision for credit losses

All amounts in RMB'000

Category	30 June 2020		30 June 2020		Carrying amount	31 December 2019		31 December 2019		Carrying amount
	Book value	Provision for credit losses	Book value	Provision for credit losses		Book value	Provision for credit losses			
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Accounts receivable for which provision for credit losses is individually assessed										
(1)	23,538,817	28.49	6,153,984	26.14	17,384,833	26,199,346	32.94	6,573,652	25.09	19,625,694
Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis	59,087,707	71.51	7,454,675	12.62	51,633,032	53,328,008	67.06	6,927,096	12.99	46,400,912
Total	82,626,524	100.00	13,608,659	/	69,017,865	79,527,354	100.00	13,500,748	/	66,026,606

Financial Statements

For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

5.2 Disclosed by method of determining provision for credit losses (Continued)

- (1) Accounts receivable for which provision for credit losses is individually assessed at the end of the period

All amounts in RMB'000

Accounts receivable (per entity)	Book value	Provision for credit losses	30 June 2020	
			Proportion of provision (%)	Reasons
Party 1	3,264,832	1,398,854	42.85	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	1,708,920	-	-	
Party 3	1,321,484	528,594	40.00	
Party 4	576,767	576,767	100.00	
Party 5	522,579	329,746	63.10	
Others	16,144,235	3,320,023	20.56	
Total	23,538,817	6,153,984	/	/

- (2) Accounts receivable for which provision for credit losses is collectively assessed on a portfolio basis at the end of the period

All amounts in RMB'000

Aging	30 June 2020		
	Accounts receivable	Provision for credit losses	Proportion of provision (%)
Within 1 year	40,265,495	1,220,184	3.03
1 to 2 years	8,415,494	873,672	10.38
2 to 3 years	3,777,105	823,726	21.81
3 to 4 years	2,397,560	813,568	33.93
4 to 5 years	1,187,479	743,987	62.65
Over 5 years	3,044,574	2,979,538	97.86
Total	59,087,707	7,454,675	12.62

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.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(3) Provision for bad debts of accounts receivable

All amounts in RMB'000

Items	Lifetime expected credit losses (unimpaired)	Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2019	7,578,748	5,922,000	13,500,748
Provision for the current period	550,637	380,466	931,103
Reversal for the current period	(18,671)	(720,973)	(739,644)
Write-off for the current period	(3,184)	–	(3,184)
Other changes	(652,855)	572,491	(80,364)
Provision for credit losses at 30 June 2020	7,454,675	6,153,984	13,608,659
Book value at 30 June 2020	71,316,927	11,309,597	82,626,524

(4) The top 5 largest accounts receivable collected by arrears at 30 June 2020

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2020	As a percentage of total accounts receivable (%)
Party 1	Third party	3,264,832	3.95
Party 2	Third party	1,990,598	2.41
Party 3	Third party	1,710,729	2.07
Party 4	Third party	1,321,484	1.60
Party 5	Third party	652,373	0.79
Total	/	8,940,016	10.82

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Accounts receivable (Continued)

(5) As at 30 June 2020, the Group's assets and liabilities recognized for transfer of accounts receivable and continuing involvement amounted to RMB14,600'000 (31 December 2019: RMB14,600'000) and presented in other non-current assets and other non-current liabilities. For details, see Note VII 25 and Note VII 44

(6) Accounts receivable with title restriction as at 30 June 2020 are set out in Note VII 70.

6. Receivables at FVTOCI

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Bank acceptance bills	8,497,884	7,855,940
Total	8,497,884	7,855,940

(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 collect contractual cash flows and sell 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 VII25, VII44.

For the current period, the changes in fair value of such bank acceptance bills resulted in increase of RMB2,085'000 in other comprehensive income (Note VII 48).

(2) The Group recognizes impairment provision for receivables at FVTOCI on the basis of the expected credit loss. For the current period, the Group didn't make provision for credit impairment loss of the receivables at FVTOCI.

(3) As at 30 June 2020, the Group has receivable bank acceptance bills that has been discounted or endorsed with recourse right but undue amounting to RMB6,652,769'000 (Amounting to RMB8,869,323'000 as at 31 December 2019). 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 2020 are set out in Note VII 70.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Prepayments

(1) Aging analysis of prepayments

All amounts in RMB'000

	30 June 2020		31 December 2019	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	22,807,731	80.03	18,579,762	75.20
1 to 2 years	2,819,537	9.89	2,971,328	12.03
2 to 3 years	968,260	3.40	802,316	3.25
Over 3 years	1,903,933	6.68	2,352,439	9.52
Total	28,499,461	100.00	24,705,845	100.00

As at 30 June 2020, prepayments aged over one year were RMB5,691,730'000 (As at 31 December 2019: RMB6,126,083'000), mainly including prepaid land lease payments and prepaid construction costs to sub-contractors.

(2) The five largest prepayments at 30 June 2020

All amounts in RMB'000

Name of entity	Relationship with the Group	30 June 2020	As a percentage of total prepayments (%)
Party 1	Third party	442,450	1.55
Party 2	Third party	373,768	1.31
Party 3	Third party	361,292	1.27
Party 4	Third party	253,550	0.89
Party 5	Third party	249,870	0.88
Total	/	1,680,930	5.90

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables

(1) Other receivables analyzed by category

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Interest receivables	7,004	5,996
Dividends receivable	361,394	275,647
Other receivables	54,231,524	57,008,480
Total	54,599,922	57,290,123

(2) Interest receivable

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Interests on term deposits	7,004	5,996
Total	7,004	5,996

(3) Dividends receivable

① Presentation of dividends receivable

All amounts in RMB'000

The name of investee	30 June 2020	31 December 2019
Zuhai MCC Jianxin Investment Management Partnership (LP)	251,320	134,209
Hebei Steel Luan County Sijiyang Iron Ore Co., Ltd.	65,713	86,659
MCC Rong Xing Building Materials (Chengdu) Co., Ltd.	6,000	16,340
Wuhan Zhonghe Engineering Technique Co., Ltd.	3,264	3,264
Bank of Communications Co., Ltd.	–	78
Others	35,097	35,097
Total	361,394	275,647

② As at 30 June 2020, dividends receivable aged over one year were RMB103,033'000 (31 December 2019: RMB95,079'000).

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

(4) Other receivables

① Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2020	31 December 2019
Within 1 year	34,649,493	36,936,544
1 to 2 years	7,717,545	9,808,190
2 to 3 years	6,484,235	5,621,348
3 to 4 years	4,849,104	2,710,241
4 to 5 years	3,622,452	4,349,244
Over 5 years	3,600,873	3,214,013
Total book value	60,923,702	62,639,580
Less: provisions for credit losses	6,692,178	5,631,100
Carrying amount	54,231,524	57,008,480

② 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 2019	1,904,923	1,848,732	1,877,445	5,631,100
Provision for the current period	462,698	275,422	147,883	886,003
Reversal for the current period	–	(324,246)	–	(324,246)
Write-off for the current period	(13)	–	–	(13)
Other changes	277,697	221,637	–	499,334
Provision for credit losses at 30 June 2020	2,645,305	2,021,545	2,025,328	6,692,178
Carrying amount of other receivables at 30 June 2020	8,972,404	49,925,970	2,025,328	60,923,702

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other receivables (Continued)

(4) Other receivables (Continued)

③ Other receivables categorized by nature

All amounts in RMB'000

Nature of other receivables	30 June 2020	31 December 2019
Guarantee deposits	27,419,331	25,000,477
Loan receivables from related parties	24,499,022	29,261,585
Advance to employees	200,020	329,481
Receivables on disposal of investments	3,152,393	2,704,572
Others	5,652,936	5,343,465
Total	60,923,702	62,639,580

④ The top 5 largest other receivables at the end of the current period

All amounts in RMB'000

Name of entity	Relationship with the Group	Nature of other receivables	30 June 2020	Aging	As a percentage of total other receivables (%)
Party 1	Joint venture	Loans to related parties	2,902,441	Within 1 year	4.76
Party 2	Joint venture	Loans to related parties	2,727,474	Within 1 year	4.48
Party 3	Joint venture	Loans to related parties	2,619,055	Within 1 year	4.30
Party 4	Third party	Equity transfer funds to be recovered	2,122,943	4-5 years	3.48
Party 5	Joint venture	Loans to related parties	2,107,137	Within 1 year	3.46
Total	/	/	12,479,050	/	20.48

⑤ As at 30 June 2020, 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 2019: nil).

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories

(1) Categories

All amounts in RMB'000

Items	30 June 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,375,330	53,465	3,321,865	3,604,571	62,704	3,541,867
Materials procurement	219,562	–	219,562	336,880	–	336,880
Outsourced processing materials	13,178	–	13,178	12,792	–	12,792
Work in progress	2,677,847	328,710	2,349,137	2,933,033	396,628	2,536,405
Finished goods	2,448,272	195,717	2,252,555	2,799,706	180,121	2,619,585
Other materials	622,544	6,644	615,900	650,460	6,641	643,819
Performance costs of contract	52,181	–	52,181	46,177	–	46,177
Properties under development ①	34,490,950	168,090	34,322,860	33,024,903	39,564	32,985,339
Completed properties held for sale ②	17,180,804	743,185	16,437,619	18,326,849	412,808	17,914,041
Total	61,080,668	1,495,811	59,584,857	61,735,371	1,098,466	60,636,905

Note: Inventories with title restriction are set out in Note VII 70.

Financial Statements

For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (Continued)

(1) Categories (Continued)

① 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	30 June
				2019	2020
Nanjing Xiaguanbin River Project	2011-01-01	2022-04-30	16,728,279	8,208,267	7,749,280
Zhuhai Zhongye Yijing Mansion	2018-03-21	2021-06-25	9,040,760	-	4,906,608
MCC Xinglong New City Hongshijun	2017-12-20	2023-12-31	16,700,000	2,493,451	2,484,047
Qingshuitang Jiezhizha Area, Qinhui District	2019-03-12	2020-12-25	3,022,260	1,761,167	1,889,963
MCC Tongluo Town	2014-11-01	2020-12-31	3,500,000	1,734,106	1,791,484
Qingdao MCC Dexian Mansion	2020-06-24	2021-12-23	5,139,190	1,426,018	1,617,223
Hong Kong Quanwan Project	2013-12-06	2020-12-31	1,439,810	1,328,801	1,390,436
Qin Hai Yun Villa Project	2011-08-08	2021-11-30	4,400,000	1,084,900	1,226,201
Tangshan Fengrun Gengyang New City Project	2010-03-01	2022-12-31	10,550,000	867,647	956,391
Yanjiao Headquarters Base Project	2019-10-31	2022-09-30	3,235,120	715,397	777,312
Anxinjiayuan Replacement Residence Project	2017-09-12	2020-12-31	650,000	500,047	533,213
Changchengshili Spring Breeze Town	2018-03-03	2020-12-31	2,500,000	466,484	527,800
Renhe Xili	2019-03-01	2020-12-31	1,924,000	756,408	502,533
Shanghai Jinshan District – MCC Fengjunyuan Project II	2015-12-31	2020-07-30	590,516	400,322	411,980
Baopan Lijingyuan Project	2018-05-28	2020-07-31	739,169	358,643	387,084
MCC Shanghe Residence Project	2014-06-20	2020-12-31	867,232	296,298	328,903
MCC Riverside Project I & II	2013-12-31	2020-12-31	1,423,330	243,649	302,401
Commercial Real Estate Project of Qianhai Headquarters R&D Base of Southern R&D Center	2019-12-12	2024-06-12	2,174,280	290,068	298,139
Guanhu Phase I Project	2018-10-20	2020-10-30	649,190	237,035	267,913
Plot D-1, Xinyang New City	2019-12-10	2021-04-30	575,000	181,364	250,452
Others	/	/	69,960,269	9,674,831	5,891,587
Total			155,808,405	33,024,903	34,490,950

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (Continued)

(1) Categories (Continued)

② Details of the completed properties held for sale

All amounts in RMB'000

Project name	Completion date	31 December 2019	Increase in the	Decrease in the	30 June 2020
			current period	current period	
Tianjin Xinbadali District Qixianli Project	2019-06-26	3,194,517	-	-	3,194,517
Shijiazhuang MCC Dexian Mansion Project	2019-06-18	2,898,119	224,194	739,800	2,382,513
MCC 39th Street Project	2019-09-30	1,432,908	428,739	303,537	1,558,110
Hengqin Port Base Project	2019-11-08	2,043,218	-	592,812	1,450,406
Nanjing Xiaguanbin River Project	2019-12-30	749,837	894,340	723,181	920,996
Tampines Lot D Private Apartment Project	2019-09-30	-	2,127,054	1,301,293	825,761
Beijing Daxing District Jiugong Green Belt Parcel A1 Project	2017-10-31	832,545	-	152,445	680,100
Zhuhai Zhongye Yijing Mansion Project	2020-05-25	-	2,394,966	1,751,955	643,011
MCC Xinglong New City Hongshijun	2019-02-28	509,637	340,919	216,081	634,475
Baotou MCC Campus South Road Community Project	2019-06-30	431,162	1,158,322	959,283	630,201
Qin Hai Yun Villa Project	2019-06-19	646,904	-	69,160	577,744
Tangshan Wutong Road Project	2012-10-31	372,530	935	12,311	361,154
Dalian International Business City	2014-12-31	374,140	-	13,738	360,402
Heilongjiang Qiqihar, Longsha District New Century Plaza Project	2013-12-30	247,068	2,122	1,884	247,306
Ma'anshan Zhongding Yue city Project	2018-12-21	253,920	2,746	39,210	217,456
Others	/	4,340,344	2,283,295	4,126,987	2,496,652
Total		18,326,849	9,857,632	11,003,677	17,180,804

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Inventories (Continued)

(2) Provision for impairment

All amounts in RMB'000

Items	Balance at 31 December 2019	Increase			Decrease		30 June 2020
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	62,704	129	-	-	9,368	-	53,465
Work in progress	396,628	-	-	32,187	35,731	-	328,710
Finished goods	180,121	45,695	-	-	30,099	-	195,717
Other materials	6,641	3	-	-	-	-	6,644
Properties under development	39,564	154,684	-	-	26,158	-	168,090
Completed properties held for sale	412,808	335,829	-	3,052	2,400	-	743,185
Total	1,098,466	536,340	-	35,239	103,756	-	1,495,811

(3) As at 30 June 2020, the total borrowing costs capitalized in properties under development were RMB4,475,529'000 (as at 31 December 2019: RMB4,075,200'000). Borrowing costs capitalized for the current period amounted to RMB294,569'000 (for the period ended 30 June 2019: RMB650,672'000). The capitalization rates of borrowing costs were from 4.28% to 8.50% (for the period ended 30 June 2019: from 3.02% to 8.95%).

10. Contract assets

(1) Presentation of contract assets

All amounts in RMB'000

Items	30 June 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Contract assets interrelated with engineering contracting services	85,325,335	3,721,794	81,603,541	71,573,380	3,388,866	68,184,514
Contract assets interrelated with quality guarantee deposit	5,213,946	279,471	4,934,475	4,908,801	292,740	4,616,061
Total	90,539,281	4,001,265	86,538,016	76,482,181	3,681,606	72,800,575

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Contract assets (Continued)

(2) Provision for impairment of contract assets

All amounts in RMB'000

Items	Lifetime expected credit losses (unimpaired)	Lifetime expected credit losses (impaired)	Total
Provision for credit losses at 31 December 2019	2,475,318	1,206,288	3,681,606
Provision for the current period	310,434	117,247	427,681
Reversal for the current period	(51,450)	(51,451)	(102,901)
Other changes	(195,625)	190,504	(5,121)
Provision for credit losses at 30 June 2020	2,538,677	1,462,588	4,001,265
Book value at 30 June 2020	88,958,815	1,580,466	90,539,281

(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 2020, implementation progress of part of contracts exceeded the settlement progress, thus formed related contract assets, which transfer into receivables after the completion of settlement.

For the engineering quality deposit arising from the settlement of engineering contracting services provided by the Group, the Group has the right to receive the consideration unconditionally from the customer upon the expiration of the guarantee period with no significant quality issues occurred therein. Such deposit constituted contract assets and was transferred into accounts receivable under the above-said condition.

(4) West Australia SINO Iron Mining Project

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

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Contract assets (Continued)

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

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

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 30 June 2020.

On 30 June 2020, the contract assets of the project mentioned above amounted to RMB3,787,606'000. 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.

11. Non-current assets due within one year

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Long-term receivables due within one year (Note VII 13)	1,729,813	2,078,913
Total	1,729,813	2,078,913

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Other current assets

All amounts in RMB'000

Items	30 June 2020	31 December 2019
VAT debit balance	1,678,162	1,822,285
Prepayments of enterprise income tax	460,951	460,245
Total	2,139,113	2,282,530

13. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Long-term receivables on project	28,245,144	25,271,138
Loans to related parties	1,342,989	1,209,488
Receivables on disposal of equity investments	333,485	333,485
Others	1,348,207	1,512,710
Total carrying amount	31,269,825	28,326,821
Less: provisions for credit losses for long-term receivables	2,691,354	1,921,114
Total book value	28,578,471	26,405,707
Including: Long-term receivables due within one year, net	1,729,813	2,078,913
Long-term receivables due over one year, net	26,848,658	24,326,794

As at 30 June 2020, long-term receivables are presented on a net basis with the discount rate ranging from 4.35% to 4.90%.

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. 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
Provisions for credit losses at 31 December 2019	109,316	156,761	1,655,037	1,921,114
Provision for the current period	166,269	225,177	402,764	794,210
Reversal for the current period	–	(8,856)	(15,114)	(23,970)
Provisions for credit losses at 30 June 2020	275,585	373,082	2,042,687	2,691,354
carrying amount of long-term receivables at 30 June 2020	8,876,982	19,570,226	2,822,617	31,269,825

(3) As of 30 June 2020, 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(as at 31 December 2019: nil).

14. Long-term equity investments

All amounts in RMB'000

Company name	at 31 December 2019	Movement during the current period							Provision for impairment for the current period	Others	30 June 2020	Provision for impairment at 30 June 2020
		Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends	Others				
I. Joint ventures												
Guizhou Ziwang Highway Construction Co., Ltd.(Note IX1(1)②)	1,630,398	–	–	(11,480)	–	–	–	–	–	–	1,618,918	–
Guizhou Sanli Highway Construction Co., Ltd.(Note IX1(1)②)	1,355,934	–	–	12,640	–	–	–	–	–	–	1,368,574	–
Guizhou Sanshi Highway Construction Co., Ltd.(Note IX1(1)②)	884,062	–	–	(16,904)	–	–	–	–	–	–	867,158	–
Zhuhai Hengqin Headquarters Building Investment Co., Ltd. (Note IX1(1)②)	–	514,881	–	(4,009)	–	1,182	–	–	–	–	512,054	–

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term equity investments (Continued)

Company name	at 31 December 2019	Movement during the current period							Provision for impairment for the current period	Others	30 June 2020	Provision for impairment at 30 June 2020
		Increasing investments	Decreasing investments	Share of profits/ (losses)	Other comprehensive income	Other equity movements	Declaration of cash dividends					
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.(Note IX(1)(2))	243,785	-	-	-	-	-	-	-	-	243,785	-	
Others	2,439,232	45,182	(66,721)	(65,029)	-	(13)	(1,699)	-	-	2,350,952	219,720	
Sub-total	6,553,411	560,063	(66,721)	(84,782)	-	1,169	(1,699)	-	-	6,961,441	219,720	
II. Associates												
Zhuhai MCC Jianxin Investment Management Partnership (LP)	3,955,134	-	-	117,112	-	-	(117,112)	-	-	3,955,134	-	
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	516,823	-	-	(17,743)	-	-	-	-	-	499,080	-	
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	400,178	-	-	2,483	-	-	-	-	-	402,661	-	
Tianjin SERI Machinery Equipment Corporation Ltd.	426,907	-	-	(48,756)	-	-	-	-	-	378,151	98,855	
Sichuan Development National Metallurgical Construction Investment Co., Ltd. (Note IX (2)(D))	237,846	36,000	-	7,259	-	-	-	-	-	281,105	-	
Others	9,744,067	1,081,628	(10,696)	(22,654)	165	(219)	(4,237)	-	-	10,788,054	56,731	
Subtotal	15,280,955	1,117,628	(10,696)	37,701	165	(219)	(121,349)	-	-	16,304,185	155,586	
Total	21,834,366	1,677,691	(77,417)	(47,081)	165	950	(123,048)	-	-	23,265,626	375,306	

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investments in other equity instruments

(1) Investments in other equity instruments

All amounts in RMB'000

Items	30 June 2020	31 December 2019	Cash dividends for the current period
Investments in non-trading equity instruments – listed companies	298,346	381,250	1
Investments in non-trading equity instruments-unlisted companies	1,523,975	1,490,497	6,317
Total	1,822,321	1,871,747	6,318

(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 RMB21,813'000 to retained earnings. (Note VII 48).

(3) As of 30 June 2020, the cumulative loss of other equity instruments held by the Group that are recorded in other comprehensive income is RMB12,923'000 (Note VII 48).

(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.

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Other non-current financial assets

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Financial assets at FVTPL	4,292,774	4,171,068
Including: Investment in unquoted fund product	4,239,784	4,119,753
Equity instrument investment	52,990	51,315
Total	4,292,774	4,171,068

The method for determining the fair value of other non-current financial assets can be found in Note XI.

17. Investment properties

(1) Investment properties measured at cost

All amounts in RMB'000

Items	Buildings and structures	Land use rights	Total
I. Total original book value			
1. 31 December 2019	6,177,530	589,053	6,766,583
2. Increase	707,984	–	707,984
(1) Transferred from inventory	662,575	–	662,575
(2) Others	45,409	–	45,409
3. Decrease	11,205	–	11,205
(1) Disposal	11,205	–	11,205
4. 30 June 2020	6,874,309	589,053	7,463,362
II. Total accumulated depreciation and amortization			
1. 31 December 2019	859,175	124,420	983,595
2. Increase	83,146	7,107	90,253
(1) Depreciation or amortization	70,582	7,107	77,689
(2) Others	12,564	–	12,564
3. Decrease	3,592	–	3,592
(1) Disposal	3,592	–	3,592
4. 30 June 2020	938,729	131,527	1,070,256
III. Total accumulated impairment provision			
1. 31 December 2019	19,192	–	19,192
2. Increase	5,371	–	5,371
(1) Provision	5,371	–	5,371
3. Decrease	690	–	690
(1) Disposal	690	–	690
4. 30 June 2020	23,873	–	23,873
IV. Total carrying amount			
1. 30 June 2020	5,911,707	457,526	6,369,233
2. 31 December 2019	5,299,163	464,633	5,763,796

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Investment properties

- (2) As at 30 June 2020, the Group have buildings and structures of investment properties at carrying amount of RMB264,001'000 (original book value of RMB285,882'000) of which the title certificates were not obtained by the Group (as at 31 December 2019: carrying amount of RMB199,370'000; original book value of RMB217,608'000).

All amounts in RMB'000

Item	Carrying amount	Reasons for title certificates outstanding
Scientific Research Building of China ENFI Engineering Co., Ltd.	264,001	In progress

- (3) Investment properties with title restriction as at 30 June 2020 are set out in Note VII 70.

18. Fixed assets

(1) Fixed assets

All amounts in RMB'000

Items	Buildings and structures	Machinery and equipment	Transportation vehicles	Office equipment and others	Total
I. Total historical cost:					
1. 31 December 2019	23,390,553	22,725,609	2,019,585	3,894,365	52,030,112
2. Increase	229,710	303,847	50,914	148,370	732,841
(1) Purchase	65,881	114,349	45,758	89,142	315,130
(2) Transferred from construction in progress	92,089	88,798	–	10,844	191,731
(3) Others	71,740	100,700	5,156	48,384	225,980
3. Decrease	32,154	83,219	85,439	28,996	229,808
(1) Disposal or written-off	23,517	75,438	77,045	21,016	197,016
(2) Decrease in disposal of subsidiaries	–	340	1,995	601	2,936
(3) Others	8,637	7,441	6,399	7,379	29,856
4. 30 June 2020	23,588,109	22,946,237	1,985,060	4,013,739	52,533,145

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. 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 2019	7,097,081	13,518,326	1,324,388	1,580,414	23,520,209
2. Increase	435,058	744,173	73,984	148,501	1,401,716
(1) Provision	418,426	687,401	70,321	131,620	1,307,768
(2) Others	16,632	56,772	3,663	16,881	93,948
3. Decrease	25,082	70,766	72,256	25,007	193,111
(1) Disposal or written-off	19,985	66,500	58,822	18,460	163,767
(2) Decrease in disposal of subsidiaries	-	-	1,255	292	1,547
(3) Others	5,097	4,266	12,179	6,255	27,797
4. 30 June 2020	7,507,057	14,191,733	1,326,116	1,703,908	24,728,814
III. Total impairment provision					
1. 31 December 2019	886,235	1,360,208	24,646	117,575	2,388,664
2. Increase	3,605	5,344	204	1,689	10,842
(1) Provision	-	-	-	-	-
(2) Others	3,605	5,344	204	1,689	10,842
3. Decrease	-	3,048	26	61	3,135
(1) Disposal or written-off	-	707	26	61	794
(2) Others	-	2,341	-	-	2,341
4. 30 June 2020	889,840	1,362,504	24,824	119,203	2,396,371
IV Total carrying amount of fixed assets					
1. 30 June 2020	15,191,212	7,392,000	634,120	2,190,628	25,407,960
2. 31 December 2019	15,407,237	7,847,075	670,551	2,196,376	26,121,239

(2) Temporary idle fixed assets

All amounts in RMB'000

Items	Historical cost	Accumulated depreciation	Provision for impairment	Carrying amount	Notes
Buildings and structures	346,962	129,185	167,097	50,680	Seasonal suspension or idle
Machinery and equipment	859,459	425,148	353,944	80,367	Seasonal suspension or idle
Other equipment	13,933	10,023	1,014	2,896	Seasonal suspension or idle

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Fixed assets (Continued)

(3) Fixed assets under operating leases

All amounts in RMB'000

Item	30 June 2020 Carrying amount
Machinery equipment and others	13,480

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

All amounts in RMB'000

Items	Carrying amount	Reasons for title certificates outstanding
Heavy industry production base project of China First Metallurgical Group Co., Ltd.	131,860	In the process
Scientific Research Building of China ENFI Engineering Co., Ltd.	58,660	In the process
The office building of China Huaye Group Co., Ltd. in Beijing	13,437	In the process

Buildings and structures with an aggregate carrying amount of RMB203,957'000 (historical cost: RMB275,763'000) as at 30 June 2020 (as at 31 December 2019: carrying amount of RMB262,597'000; historical cost of RMB336,990'000) were in the process of applying for relevant title certificates.

(5) Fixed assets with title restriction as at 30 June 2020 are set out in Note VII 70.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Construction in process

(1) Construction in progress analysed by category

All amounts in RMB'000

Category	30 June 2020	31 December 2020
Construction in progress	4,864,858	4,359,866
Materials for construction of fixed assets	63,867	66,652
Total	4,928,725	4,426,518

(2) Construction in process

① Construction in process

All amounts in RMB'000

Items	30 June 2020			31 December 2019		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	1,140,283	-	1,140,283	1,111,505	-	1,111,505
MCC Tongluo Town Supporting Project	922,979	-	922,979	872,933	-	872,933
Duda Lead and zinc Project	708,390	603,202	105,188	698,300	603,202	95,098
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	304,428	-	304,428	274,556	-	274,556
China Metallurgical Construction Academy Project	243,645	-	243,645	-	-	-
Hotel of Holiday Resort on BAIZHI Mountain Of MCC	236,402	-	236,402	230,583	-	230,583
Shenzhen Qianhai MCC Science and Technology Building Project	128,954	-	128,954	78,733	-	78,733
Infrastructure Investment Project for Industrialization of Prefabricated Housing	126,715	-	126,715	100,392	-	100,392
Zhanjiang Iron and Steel No. 3 blast furnace system engineering environmental protection BOO project	99,148	-	99,148	25,797	-	25,797
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	88,306	-	88,306	79,556	-	79,556
Others	1,550,590	81,780	1,468,810	1,572,493	81,780	1,490,713
Total	5,549,840	684,982	4,864,858	5,044,848	684,982	4,359,866

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Construction in process (Continued)

(2) Construction in process (Continued)

② Movements of the significant items of construction in progress

All amounts in RMB'000

Items	Budgeted amount	30 June 2020	Increase	Transfer to fixed assets/ intangible assets	Other changes	31 December 2019	Cost	Construction progress	Accumulated capitalized borrowing costs	Latest rate	Sources of fund	
							incurred as a percentage of budgeted amount (%)			Including: of borrowing Capitalized costs for the current period (%)		
Infrastructure Project of MCC JCL Anak Mining Co., Ltd.	23,847,800	1,111,505	28,778	-	-	1,140,283	19.75	19.75	-	-	-	Self-raised funds
MCC Tongluo Town Supporting Project	1,037,373	872,933	50,046	-	-	922,979	88.97	98.00	-	-	-	Self-raised funds
Duda Lead and zinc Project	1,116,845	698,300	22,200	-12,110	-	708,390	97.41	97.41	9,553	-	-	Self-raised funds and loans from financial institutions
Courtyard Development and Reform Project of Central Research Institute of Building and Construction Co., Ltd.	1,000,000	274,556	29,872	-	-	304,428	30.44	30.44	11,993	3,286	6.64	Self-raised funds and loans from financial institutions
China Metallurgical Construction Academy Project	472,391	-	243,645	-	-	243,645	51.58	51.58	-	-	-	Self-raised funds
Hotel of Holiday Resort On BAIZHI Mountain Of MCC	250,000	230,583	5,819	-	-	236,402	94.56	94.56	-	-	-	Self-raised funds
Shenzhen Qianhai MCC Science and Technology Building Project	1,695,938	78,733	50,221	-	-	128,954	7.60	7.60	68,257	521	7.50	Self-raised funds and loans from financial institutions
Infrastructure Investment Project for Industrialization of Prefabricated Housing	190,000	100,392	26,323	-	-	126,715	66.69	66.69	7,503	1,273	5.00	Self-raised funds and loans from financial institutions
Zhanjiang Iron and Steel No. 3 blast furnace system engineering environmental protection BOO project	649,867	25,797	73,351	-	-	99,148	15.39	15.39	-	-	-	loans from financial institutions
Zhengzhou Baoye Steel Structure Co., Ltd. Steel Structure Project	400,000	79,556	8,750	-	-	88,306	62.76	62.76	-	-	-	Self-raised funds
Others	9,619,888	1,572,493	194,808	-179,621	-37,090	1,550,590	-	-	60,143	5,622	-	Self-raised funds and loans from financial institutions
Total	40,280,102	5,044,848	733,813	-191,731	-37,090	5,549,840	/	/	157,449	10,702	/	Self-raised funds

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Construction in process (Continued)

(2) Construction in process (Continued)

- ③ The Group made provision for impairment of construction in progress of RMB Nil for the current period (for the period ended 30 June 2019: RMB5,564'000). As at 30 June 2020, the balance of the impairment provision for construction in progress of the Group was RMB684,982'000 (as at 31 December 2019: RMB684,982'000).

(3) Materials for construction

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Materials	12,978	18,946
Equipment	50,193	47,021
Tools and instruments prepared for production	672	660
Others	24	25
Total	63,867	66,652

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. 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. 31 December 2019	–	–	–	–	–
2. Increase	513,009	65,055	441,478	9,187	1,028,729
(1) New leases	62,960	494	–	593	64,047
(2) Others	62,848	494	–	593	63,935
(2) Others	112	–	–	–	112
3. Decrease	22,110	2,080	9,211	1,244	34,645
(1) Transferred the ownership of assets to fixed assets from expired lease contract	21,654	–	–	1,244	22,898
(2) Others	456	2,080	9,211	–	11,747
4. At 30 June 2020	553,859	63,469	432,267	8,536	1,058,131
II. Total accumulated amortization					
1. 31 December 2019	138,511	50,435	297,217	2,044	488,207
2. Increase	70,899	3,321	16,618	1,529	92,367
(1) Provision	70,863	3,321	16,618	1,529	92,331
(2) Others	36	–	–	–	36
3. Decrease	8,247	2,007	8,354	1,173	19,781
(1) Transferred the ownership of assets to fixed assets from expired lease contract	8,199	–	–	1,173	9,372
(2) Others	48	2,007	8,354	–	10,409
4. 30 June 2020	201,163	51,749	305,481	2,400	560,793
III. Total impairment provision					
1. 31 December 2019	–	–	–	–	–
2. 30 June 2020	–	–	–	–	–
IV. Carrying amount					
1. 30 June 2020	352,696	11,720	126,786	6,136	497,338
2. 31 December 2019	374,498	14,620	144,261	7,143	540,522

For the current period, the Group's short-term leasing fee, which is simplified and charged to current profits and losses, is RMB112,762'000

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Intangible assets

(1) Intangible assets

All amounts in RMB'000

Items	Land use rights	Mining rights	Franchise	Software	Patent and proprietary technology	Trademark right	Total
I. Total historical cost							
1. 31 December 2019	7,975,028	4,060,768	9,003,791	749,245	162,494	270	21,951,596
2. Increase	40,947	20,960	937,985	34,193	160	-	1,034,245
(1) Purchase	40,947	-	937,985	33,490	160	-	1,012,582
(2) Others	-	20,960	-	703	-	-	21,663
3. Decrease	2,165	9,586	395	4,440	-	-	16,586
(1) Disposal or write-off	604	-	395	-	-	-	999
(2) Others	1,561	9,586	-	4,440	-	-	15,587
4. 30 June 2020	8,013,810	4,072,142	9,941,381	778,998	162,654	270	22,969,255
II. Total accumulated amortization							
1. 31 December 2019	1,501,616	62,152	1,420,609	490,255	48,978	270	3,523,880
2. Increase	103,398	2,644	114,640	38,275	6,151	-	265,108
(1) Amortization	103,398	2,508	114,640	38,125	6,151	-	264,822
(2) Others	-	136	-	150	-	-	286
3. Decrease	581	-	282	4,253	775	-	5,891
(1) Disposal or write-off	145	-	282	-	-	-	427
(2) Others	436	-	-	4,253	775	-	5,464
4. 30 June 2020	1,604,433	64,796	1,534,967	524,277	54,354	270	3,783,097
III. Total impairment provision							
1. 31 December 2019	93,749	2,532,061	-	250	4,783	-	2,630,843
2. Increase	2,602	-	-	-	-	-	2,602
(1) Provision	2,602	-	-	-	-	-	2,602
3. Decrease	-	9,565	-	-	-	-	9,565
(1) Others	-	9,565	-	-	-	-	9,565
4. 30 June 2020	96,351	2,522,496	-	250	4,783	-	2,623,880
IV. Carrying amount							
1. 30 June 2020	6,313,026	1,484,850	8,406,414	254,471	103,517	-	16,562,278
2. 31 December 2019	6,379,663	1,466,555	7,583,182	258,740	108,733	-	15,796,873

As at 30 June 2020, the internally developed intangible assets as a percentage of total intangible assets of the Group was 0.12% (as at 31 December 2019: 0.26%).

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Intangible assets (Continued)

(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 2020, the accumulated impairment provision for the Cape Lambert Iron Project intangible assets amounting to RMB2,502,273'000, including the decreasing accumulated impact on exchange fluctuation of Australian dollars of RMB318,489'000. The related intangible assets belong to the resource development segment.

(3) Intangible assets with title restriction as at 30 June 2020 are set out in Note VII 70.

22. Goodwill

(1) Original historical amount

All amounts in RMB'000

Company name	31 December 2019	Increase		Decrease		30 June 2020
		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	23,414	-	-	-	1,892	21,522
Chengde Tiangong Architectural Design Co., Ltd.	33,460	-	-	-	-	33,460
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	18,533	-	-	-	-	18,533
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	297,874	-	-	-	1,892	295,982

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Goodwill

(2) Provision for impairment of goodwill

All amounts in RMB'000

Company name	31 December 2019	Increase		Decrease		30 June 2020
		Provision	Others	Disposal	Others	
Beijing ShengPeng Real Estate Development Co., Ltd.	94,923	-	-	-	-	94,923
MCC Minera Sierra Grande S.A	23,414	-	-	-	1,892	21,522
Qingdao JinZe HuaDi Real Estate Development Co., Ltd.	9,184	11	-	-	-	9,195
Beijing HaiKe Real Estate Development Co., Ltd.	6,477	-	-	-	-	6,477
China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd.	2,353	-	-	-	-	2,353
Total	136,351	11	-	-	1,892	134,470

- (3) When the Group performs impairment assessment on goodwill arising from business combination, the Group allocates the book value of goodwill to the asset group or portfolio that is expected to benefit from the synergistic effect of enterprise merger, and evaluates the recoverable amount of the asset group or portfolio that contains the apportioned goodwill.
- (4) The recoverable value of the asset groups is calculated based on the present value of future cash flows which is approved by the management. MCC Finance Corporation Ltd. adopts a pre-tax discount rate of 17.33% (As at 31 December 2019: 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.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Long-term prepayments

All amounts in RMB'000

Items	31 December 2019	Increase	Amortization	Other decreases	30 June 2020
Improvements of leasehold	38,564	27,220	5,760	–	60,024
Insurance expenditures	8,776	–	2,807	–	5,969
Repair expenditures	22,044	1,937	2,530	206	21,245
Others	196,516	34,934	32,776	241	198,433
Total	265,900	64,091	43,873	447	285,671

24. Deferred tax assets and deferred tax liabilities

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

All amounts in RMB'000

Items	30 June 2020		31 December 2019	
	Deductible temporary differences/tax losses	Deferred tax assets	Deductible temporary differences/tax losses	Deferred tax assets
Impairment provision	26,311,333	4,337,019	22,648,841	4,052,091
Unrealized profit on inter-company transactions	2,688,161	618,812	2,526,258	584,565
Defined benefit plans	1,383,108	313,047	1,402,165	317,122
Deductible tax losses	1,238,882	213,973	1,364,635	235,677
Employee benefits payable	383,869	61,509	358,475	57,355
Changes in the fair value of other equity instrument investments	528,349	110,395	203,960	42,927
Others	2,305,179	550,998	1,811,225	410,856
Total	34,838,881	6,205,753	30,315,559	5,700,593

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

All amounts in RMB'000

Items	30 June 2020		31 December 2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Fair value adjustments upon business combination not under common control	14,625	5,023	46,857	13,397
Changes in the fair value of investments of other equity instruments	646,558	137,221	197,372	31,219
Others	503,396	121,603	453,533	109,067
Total	1,164,579	263,847	697,762	153,683

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

All amounts in RMB'000

Items	The offset amount of deferred tax assets and liabilities at the end of the period	Deferred tax assets and liabilities after offset at the end of the period	The offset amount of deferred tax assets and liabilities at the beginning of the period	Deferred tax assets and liabilities after offset at the beginning of the period
Deferred tax assets	200,045	6,005,708	81,998	5,618,595
Deferred tax liabilities	200,045	63,802	81,998	71,685

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Deductible temporary differences	7,061,297	7,378,256
Deductible tax losses	9,037,388	10,711,071
Total	16,098,685	18,089,327

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

All amounts in RMB'000

Year	30 June 2020	31 December 2019
2020	–	2,052,423
2021	3,194,067	3,270,920
2022	1,662,720	1,675,496
2023	1,845,722	1,853,487
2024	1,826,561	1,858,745
2025	508,318	–
Total	9,037,388	10,711,071

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Other non-current assets

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Deposits for acquisition of assets	199,409	156,713
Continuing involvement in the transferred financial asset (Note VII (5))	14,600	14,600
Total	214,009	171,313

26. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Pledge loans (Note 1)	3,000	3,000
Mortgaged loans (Note 2)	229,000	149,000
Credit loans (Note 3)	56,148,402	40,324,556
Total	56,380,402	40,476,556

Note 1: Pledged loans

As at 30 June 2020, the pledged loans of RMB3,000'000 (31 December 2019: 3,000'000) were obtained by pledging accounts receivable with the carrying amount of RMB6,050'000 as a collateral (December 31, 2019: 6,050'000) to the bank.

Note 2: Mortgaged loans

As at 30 June 2020, the mortgaged loans of RMB229,000'000 (as at 31 December 2019: RMB149,000'000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate carrying amount of RMB314,397'000 (as at 31 December 2019: RMB438,824'000).

Note 3: Credit loans

For the current period, the weighted average interest rate of short-term borrowings was 3.77% per annum (For the period ended 30 June 2019: 4.39% per annum).

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Derivative financial liabilities

All amounts in RMB'000

Items	30 June 2020	31 December 2019
USD foreign exchange option	5,418	4,225
Forward exchange contracts	3,632	5
Total	9,050	4,230

Determination of fair value of derivative financial liabilities refers to Note XI.

28. Bills payable

All amounts in RMB'000

Category	30 June 2020	31 December 2019
Bank acceptance bills	30,808,651	28,204,347
Commercial acceptance bills	4,079,447	3,282,785
Total	34,888,098	31,487,132

29. Accounts payable

(1) Presentation of accounts payable

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Project fees	83,844,856	75,708,557
Purchases	34,690,983	31,788,744
Design fees	682,581	706,121
Labor fees	7,758,192	6,010,918
Retention money	789,950	728,681
Others	1,336,914	911,992
Total	129,103,476	115,855,013

Financial Statements

For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Accounts payable (Continued)

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	30 June 2020	31 December 2019
Within 1 year	96,453,380	84,943,833
1 to 2 years	16,155,571	14,616,943
2 to 3 years	6,626,191	6,977,758
Over 3 years	9,868,334	9,316,479
Total	129,103,476	115,855,013

(3) On 30 June 2020, accounts payable of RMB32,650,096'000 (31 December 2019: RMB30,911,180'000) 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.

30. Receipts in advance

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Lease receipts in advance	250,798	245,284
Total	250,798	245,284

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Contract liabilities

(1) Presentation of contract liabilities

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Contract liabilities relating to engineering contracting service contracts	46,319,350	48,644,973
Contract liabilities relating to sales contracts	12,399,937	14,491,599
Contract liabilities relating to other customers' contracts	3,843,662	1,459,398
Total	62,562,949	64,595,970

(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 10, 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 2020, 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 forming the contract liabilities relating to engineering contracting services.

The sales contracts of the Group are 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 2020, the implementation time of performance obligation of the Group in the sale contract was later than the payment time of the customers, thus forming the related contract liability of the sale contract.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Employee benefits payable

(1) Employee benefits payable

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	30 June 2020
I. Short-term employee benefits	1,660,516	8,626,778	8,360,800	1,926,494
II. Post-employment benefits – defined contribution plans	349,380	779,326	749,047	379,659
III. Termination benefits	8,201	54,008	17,486	44,723
IV. Other benefits	19,897	1,166,304	1,178,310	7,891
Total	2,037,994	10,626,416	10,305,643	2,358,767

(2) Short-term employee benefits

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	30 June 2020
I. Salaries, bonuses, allowances and subsidies	514,097	7,078,760	6,910,937	681,920
II. Staff welfare	26,226	312,952	317,256	21,922
III. Social insurance premiums	31,486	421,234	409,092	43,628
Including: Medical insurance	29,418	377,139	366,188	40,369
Work-related injury insurance	1,265	25,473	24,252	2,486
Maternity insurance	803	18,622	18,652	773
IV. Housing provident funds	197,098	632,593	587,083	242,608
V. Labor union expenditures and employees' education expenses	891,609	181,239	136,432	936,416
Total	1,660,516	8,626,778	8,360,800	1,926,494

Financial Statements

For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Employee benefits payable (Continued)

(3) Defined contribution plan

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	30 June 2020
1. Basic retirement insurance	134,517	479,277	438,767	175,027
2. Unemployment insurance	6,828	17,863	16,381	8,310
3. Supplementary pension	208,035	282,186	293,899	196,322
Total	349,380	779,326	749,047	379,659

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 RMB779,326'000 (For the period ended 30 June 2019: RMB1,179,954'000) to the defined contribution plan. As at 30 June 2020, there was a payable amount of RMB379,659'000 (as at 31 December 2019: RMB349,380'000).

33. Taxes payable

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Value added tax	494,415	468,570
Consumption tax	722	1,709
Enterprise income tax	1,384,356	1,328,077
Individual income tax	90,478	333,520
City maintenance and construction tax	54,037	56,216
Education surcharges	39,388	38,215
Land appreciation tax	1,009,571	962,453
Others	230,591	273,000
Total	3,303,558	3,461,760

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Categories	30 June 2020	31 December 2019
Interest payable	27,742	17,986
Dividends payable	2,679,373	1,627,020
Other payables	25,826,859	24,574,780
Total	28,533,974	26,219,786

(2) Interest payable

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Interests payable on long-term borrowings	19,031	16,589
Interest payable on short-term borrowings	4,133	546
Others	4,578	851
Total	27,742	17,986

As at 30 June 2020, the Group did not have any significant overdue interest.

(3) Dividends payable

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Dividend declared on perpetual bonds classified as equity instrument	652,474	1,023,324
Other dividends	2,026,899	603,696
Total	2,679,373	1,627,020

Dividends aged over one year but not settled yet is RMB362,581'000, relevant subsidiaries are discussing with the relevant shareholders for the settlement plan.

Financial Statements

For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Other payables (Continued)

(4) Other payables

① Other payables disclosed by nature

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Guarantees and deposits payable	20,315,452	17,492,598
Rents	218,094	169,662
Utilities payable	173,698	196,790
Repair and maintenance expenses	343,159	366,510
Others	4,776,456	6,349,220
Total	25,826,859	24,574,780

② On 30 June 2020, other payables aged over one year of RMB9,518,174'000 (31 December 2019 RMB10,001,652'000) were mainly guarantees and deposits payable collected by the Group. As both parties remained business transactions, the amount has not been settled.

35. Non-current liabilities due within one year

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Long-term borrowing due within one year (Note VII 37)	5,696,910	7,754,919
Bonds payable due within one year (Note VII 38)	888,872	7,010,027
Lease liabilities due within one year (Note VII 39)	170,570	216,602
Long-term payables due within one year (Note VII 40)	378,980	378,980
Employee benefits payable due within one year (Note VII 41)	253,683	322,888
Other estimated liabilities due within one year (except for the return payable) (Note VII 42)	125	–
Total	7,389,140	15,683,416

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Other current liabilities

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Amounts to be transferred to output VAT	6,977,494	5,856,396
Total	6,977,494	5,856,396

37. Long-term borrowings

(1) Long-term borrowings disclosed by category

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Pledged loans (Note1)	3,260,847	3,083,279
Mortgaged loans (Note2)	3,341,955	4,566,594
Guaranteed loans (Note3)	10,559,582	3,453,508
Credit loans	19,529,431	23,871,153
Total	36,691,815	34,974,534
Less: Long-term borrowings due within one year	5,696,910	7,754,919
Including: Pledged loans	711,261	923,623
Mortgaged loans	499,283	961,870
Guaranteed loans	762,524	1,360,648
Credit loans	3,723,842	4,508,778
Long-term borrowings due over one year	30,994,905	27,219,615

Note 1: Pledge loans: As at 30 June 2020, long-term borrowings of RMB3,260,847'000 (as at 31 December 2019: RMB3,083,279'000) were secured by the pledge of the Group's accounts receivable in amount of RMB3,719,086'000 (as at 31 December 2019: RMB3,746,313'000).

Note 2: Mortgage loans: As at 30 June 2020, long-term borrowings of RMB3,341,955'000 (as at 31 December 2019: RMB4,566,594'000) were secured by the mortgage of the Group's intangible assets, investment properties and inventories in amount of RMB5,449,888'000 (as at 31 December 2019: RMB6,741,436'000).

Note 3: Guaranteed loans: As at 30 June 2020, long-term borrowings of RMB10,559,582'000 were guaranteed by CMGC (as at 31 December 2019: RMB3,453,508'000).

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VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. Long-term borrowings (Continued)

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

All amounts in RMB'000

Maturity date	30 June 2020	31 December 2019
1 to 2 years	14,895,029	11,261,882
2 to 5 years	12,115,370	11,683,899
Over 5 years	3,984,506	4,273,834
Total	30,994,905	27,219,615

(3) For the current period, the weighted average interest rate of long-term borrowings was 5.17% per annum (For the period ended 30 June 2019: 5.31% per annum).

(4) As at 30 June 2020, the Group did not have any significant overdue long-term borrowings.

38. Bonds payable

(1) Bonds payable

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Corporate debentures	1,678,872	1,691,143
USD debentures	–	6,978,884
Total	1,678,872	8,670,027
Including: Bonds payable due within one year	888,872	7,010,027
Bonds payable due over one year	790,000	1,660,000

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Bonds payable (Continued)

(2) Movement of bonds payable

All amounts in RMB'000

Name of bonds	Face value	Issue date	Term	Issue amount	31 December 2019	Issued in the current Period	Interest accrued based on face value	Effect of change of exchange rate	Premium and discount amortization	Repaid in the current Period	30 June 2020
USD debentures (Note 1)	3,431,650	2017-5-31	3 years	3,411,043	3,486,393	-	65,317	67,677	3,067	3,622,454	-
USD debentures (Note 2)	3,378,100	2017-7-17	to 2020-05-30	3,376,770	3,492,491	-	39,539	59,371	206	3,591,607	-
Corporate debentures (Note 3)	570,000	2017-10-24 to 2017- 10-25	5 years	570,000	573,377	-	14,144	-	-	-	587,521
Corporate debentures (Note 4)	870,000	2018-05-07 to 2018- 05-08	3 years	870,000	891,639	-	20,679	-	-	41,586	870,732
Corporate debentures (Note 5)	220,000	2018-05-07 to 2018- 05-08	5 years	220,000	226,127	-	5,448	-	-	10,956	220,619
Total	8,469,750	-	-	8,447,813	8,670,027	-	145,127	127,048	3,273	7,266,603	1,678,872

Note 1 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 interest at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.

Note 2 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 interest at a fixed rate of 2.950% per annum. Interest will be paid every half year and principal will be paid upon maturity date.

Note 3 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 interest at a fixed rate of 4.99% per annum. Interest will be paid every year and principal will be paid upon maturity date.

Note 4 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.

Note 5 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.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Lease liabilities

(1) Lease liabilities disclosed by nature

All amounts in RMB'000

Items	30 June 2020
Lease of buildings and structures	316,054
Other leases	125,696
Total	441,750
Including: Lease liabilities due within one year (Note VII 35)	170,570
Lease liabilities due over one year	271,180

(2) Analysis of the maturity profile of lease liabilities

All amounts in RMB'000

Maturity Date	30 June 2020
1st year after the balance sheet date	176,584
2nd year after the balance sheet date	138,309
3rd year after the balance sheet date	62,772
Subsequent years	111,320
Total minimum lease payments	488,985
Less: Unrecognized financing cost	47,235
Total lease liabilities	441,750

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Long-term payables

(1) Presentation of long-term payables

All amounts in RMB'000

Categories	30 June 2020	31 December 2019
Long-term payables	439,489	440,111
Special payables	240,507	452,882
Total	679,996	892,993

(2) Long-term payables

① Long-term payables disclosed by nature

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Housing maintenance fee payables	42,112	42,050
Amounts due to funds	376,858	376,858
Others	399,499	400,183
Total	818,469	819,091
Including: Long-term payables due within one year (Note VII 35)	378,980	378,980
Long-term payables due over one year	439,489	440,111

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Long-term payables (Continued)

(2) Long-term payables (Continued)

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

All amounts in RMB'000

Maturity Date	30 June 2020	31 December 2019
1 to 2 years	2,878	2,445
2 to 5 years	6,052	4,101
Over 5 years	430,559	433,565
Total	439,489	440,111

(3) Special payables

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	30 June 2020
Special payables for water/ power/gas supply and property (Note)	448,879	53,594	265,369	237,104
Housing allowance payables	571	–	–	571
Special housing maintenance fee payables	58	–	–	58
Others	3,374	–	600	2,774
Total	452,882	53,594	265,969	240,507

Note: The Group 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.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Long-term employee benefits payable

(1) Long-term employee benefits payable

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Post-employment benefits -Net liability arising from defined benefit plans	3,355,518	3,438,881
Total	3,355,518	3,438,881
Including: Long-term employee benefits payable due within one year (Note VII 35)	253,683	322,888
Long-term employee benefits payable due over one year	3,101,835	3,115,993

① Movements in the defined benefit plans

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Opening balance	3,438,881	3,853,063
II. Defined benefit costs recognized in profit or loss	52,279	71,657
1. Past service cost	3,245	12,001
2. Net interest expense	49,034	59,656
III. Defined benefit costs recognized in other comprehensive income	52,305	(450)
1. Actuarial (gains) losses (losses are represented by "-")	52,305	(450)
IV. Other movements	(187,947)	(205,916)
1. Benefits paid	(187,947)	(205,916)
V. Closing balance	3,355,518	3,718,354

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Long-term employee benefits payable (Continued)

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

- ② 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.
- ③ Defined benefits plan exposes the Group to 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.
- ④ The major actuarial assumptions used for calculating the present value of the defined benefit obligations of the Group

	30 June 2020	31 December 2019
Discount rate	2.75%	3.00%
Mortality rate	CLA CL5/CL6 up 3	CLA CL5/CL6 up 3
Annual growth rate of living cost for retirement staff and survivors	4.50%	4.50%
Annual growth rate of various employee medical expense reimbursement	8.00%	8.00%

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Provisions

All amounts in RMB'000

Items	30 June 2020	31 December 2019	Reasons
Pending litigations	100,892	98,741	Because of the verdict of losing a lawsuit, the Group needed to bear the present obligations of the pending litigations, and that an outflow of resources would be required to settle this obligations and the amount had been reliably estimated.
Product quality warranties	6,040	5,238	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	223,932	220,821	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	211,035	225,243	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"	194,221	259,243	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	11,254	8,645	Others
Total	747,374	817,931	/

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Deferred income

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	30 June 2020	Reasons
Government grants	1,505,285	55,170	79,355	1,481,100	The government grants related to assets mainly include the investment subsidies for the purchase of new equipment and other production infrastructure; the government grants related to profits mainly include research subsidies.
Others	77,012	3,858	11,059	69,811	Others
Total	1,582,297	59,028	90,414	1,550,911	

44. Other non-current liabilities

All amounts in RMB'000

Item	30 June 2020	31 December 2019
Continuing involvement in liabilities (Note VII 5)	14,600	14,600
Total	14,600	14,600

45. Share capital

All amounts in RMB'000

Item	31 December 2019	Movements during the current period					sub-total	30 June 2020
		Issue of new share	Bonus issue	Shares converted from capital reserve	Others			
Total shares	20,723,619	-	-	-	-	-	20,723,619	

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Other equity instruments

All amounts in RMB'000

Name of financial instrument	31 December 2019		Increase		Decrease		30 June 2020	
	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount	Number (ten thousand)	Carrying amount
2015 First Tranche of Interim Notes	5,000	4,925,000	-	-	5,000	4,925,000	-	-
Public Offering of Renewable Corporate Bonds in 2017 (First Tranche)	2,700	2,699,779	-	-	2,700	2,699,779	-	-
Public Offering of Renewable Corporate Bonds in 2017 (Second Tranche)	2,000	1,999,836	-	-	2,000	1,999,836	-	-
Public Offering of Renewable Corporate Bonds in 2017 (Third Tranche)	2,000	1,999,803	-	-	-	-	2,000	1,999,803
Public Offering of Renewable Corporate Bonds in 2017 (Fourth Tranche)	1,300	1,299,872	-	-	-	-	1,300	1,299,872
Renewable Financing Instruments of Kunlun Trust in 2019	-	8,000,000	-	-	-	-	-	8,000,000
Renewable Financing Instruments of Generali China Asset Management in 2019	-	3,000,000	-	-	-	-	-	3,000,000
2019 First Tranche of Renewable Financing Instrument of ICBC	-	1,000,000	-	-	-	-	-	1,000,000
2019 Second Tranche of Renewable Financing Instrument of ICBC	-	1,000,000	-	-	-	-	-	1,000,000
2020 first tranche of medium-term notes	-	-	2,000	2,000,000	-	-	2,000	2,000,000
2020 second tranche of medium-term notes	-	-	1,000	1,000,000	-	-	1,000	1,000,000
Total	13,000	25,924,290	3,000	3,000,000	9,700	9,624,615	6,300	19,299,675

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. 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, terms on interest rate step-ups do not constitute indirect obligations of paying cash or other financial assets as well, and the repayment order of such renewable financing instruments at the settlement is inferior to that of ordinary bonds and other debts issued by the Company. 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.

- (1) The first tranche of medium-term notes issued by the company in 2015 was repaid on 2 June, 2020, the first tranche of 2017 renewable corporate bonds was repaid on 27 February, 2020, and the second tranche of 2017 renewable corporate bonds was repaid on 1 March, 2020, the three perpetual bonds are normally repaid on schedule.
- (2) In 2020, the company will issue a new 2020 first phase of medium-term notes of RMB2,000,000'000. The announcement will be issued on 18 June, 2020. The bond will be issued during June 22–23, 2020. The repayment period is 3+n(3) years. The lead underwriter and bookrunner of the current medium-term notes is Bank of Shanghai Co., Ltd. The company has the financier's redemption option. This medium-term note does not include contractual obligations to deliver cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the company includes this medium-term note financing instrument as other equity instruments.
- (3) In 2020, the company will issue a new 2020 second phase of medium-term notes of RMB1,000,000'000. The announcement will be issued on June 22–23, 2020. Bonds will be issued on June 24, 28 and 29, 2020. The repayment period is 3 +n (3) years, the lead underwriter and bookkeeper of the current medium-term notes is China CITIC Bank Co., Ltd. The company has the financier's redemption option. This medium-term note does not include contractual obligations to deliver cash or other financial assets to other parties, or exchange financial assets or financial liabilities with other parties under potentially unfavorable conditions. Therefore, the company includes this medium-term note financing instrument as other equity instruments.

47. Capital reserve

All amounts in RMB'000

Items	31 December 2019	Increase	Decrease	30 June 2020
Share premium	22,467,142	–	75,385	22,391,757
Other capital reserve	9,306	646	3,055	6,897
Total	22,476,448	646	78,440	22,398,654

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Other comprehensive income

All amounts in RMB'000

Items	31 December 2019	Amount for the current period					Less: Retained earnings transferred from other comprehensive income	30 June 2020
		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		
I. Other comprehensive income that will not be reclassified to profit or loss								
1. Changes in re-measurement of defined benefit obligations	(155,991)	(88,618)	-	(10,881)	(75,347)	(2,390)	(21,813)	(209,525)
2. Fair value changes in investments in other equity instruments	(149,716)	(52,305)	-	(3,339)	(46,886)	(2,080)	-	(196,602)
	(6,275)	(36,313)	-	(7,542)	(28,461)	(310)	(21,813)	(12,923)
II. Other comprehensive income that may be reclassified to profit or loss								
1. Other comprehensive income that may be transferred to profit or loss under equity method	96,373	163,719	(697)	(2,221)	121,003	45,634	-	217,376
2. Changes in fair value of receivables at FVTOCI	(555)	3	-	-	-	3	-	(555)
3. Exchange differences on translating foreign operations	(91,861)	1,388	(697)	(2,965)	4,890	160	-	(86,971)
	188,789	162,328	-	744	116,113	45,471	-	304,902
Total other comprehensive income	(59,618)	75,101	(697)	(13,102)	45,656	43,244	(21,813)	7,851

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Special reserve

All amounts in RMB'000

Item	31 December 2019	Increase	Decrease	30 June 2020
Production safety fee	12,550	2,556,109	2,556,109	12,550
Total	12,550	2,556,109	2,556,109	12,550

50. Surplus reserve

All amounts in RMB'000

Item	31 December 2019	Increase	Decrease	30 June 2020
Statutory surplus reserve	1,748,938	–	–	1,748,938
Total	1,748,938	–	–	1,748,938

51. Retained earnings

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
31 December 2019	27,123,498	23,546,950
Add: Net profit attributable to shareholders of the parent company for the current period	3,591,925	3,156,882
Other comprehensive income carried forward to retained earnings	(21,813)	16,685
Less: Declaration of dividends on ordinary shares	1,492,101	1,450,653
Declaration of dividends on perpetual bonds	341,209	178,735
30 June 2020	28,860,300	25,091,129

- (1) The 2019 annual general meeting of the company held on 29 June 2020 reviewed and approved the "Proposal on China Metallurgical's 2019 Profit Distribution", agreeing that the company will distribute cash dividends of RMB0.72 for every 10 shares to all shareholders with drawing the statutory reserve fund (Including tax), the total cash dividend is RMB1,492,101'000. As of 28 August, 2020, the dividend had been paid.
- (2) As of 30 June 2020, the undistributed profit included the subsidiary surplus reserve balance attributable to the parent company of RMB12,347,493'000 (31 December 2019: RMB12,347,493'000).
- (3) For the current period, the company distributed perpetual bond dividends of RMB341,209,000 (for the period ended 30 June 2019: RMB178,735'000). On 30 June 2020, there was no amount attributable to perpetual bond holders in the retained profits (31 December 2019: Nil).

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Operating revenue and operating costs

(1) Operating revenue and operating costs

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	180,118,655	160,884,464	158,593,804	141,310,839
Other business	446,538	270,323	423,575	212,653
Total	180,565,193	161,154,787	159,017,379	141,523,492

(2) The segment information of operating revenue and operating costs for the period ended 30 June 2020 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 RMB9,740,375'000 (for the period ended 30 June 2019: RMB7,710,835'000), accounting for 5.39% of the total operating revenue of the Group (for the period ended 30 June 2019: 4.85%). The details are set out below:

All amounts in RMB'000

Customers	Operating revenue	As a percentage of total operating revenue of the Group (%)
Party 1	3,243,204	1.80
Party 2	2,080,593	1.15
Party 3	1,539,892	0.85
Party 4	1,484,966	0.82
Party 5	1,391,720	0.77
Total	9,740,375	5.39

(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 2020, 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.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Taxes and levies

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
City construction and maintenance tax	129,701	136,750
Education surcharges	61,353	65,112
Land appreciation tax	410,247	602,892
Property tax	93,179	104,824
Land use tax	53,167	64,473
Stamp duty	98,019	77,613
Others	115,573	139,474
Total	961,239	1,191,138

54. Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	2,017	3,463
Employee compensation costs	417,319	449,862
Depreciation expenses of fixed assets	7,722	8,480
Travelling expenses	64,715	92,643
Office expenses	67,485	72,895
Transportation expenses	86,625	123,829
Advertising and sales service expenses	213,065	202,001
Others	112,445	77,795
Total	971,393	1,030,968

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

55. Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,662,452	2,698,558
Depreciation expenses of fixed assets	265,636	244,523
Travelling expenses	113,275	163,002
Office expenses	161,986	185,948
Lease rentals	64,279	46,411
Repairs and maintenance expenses	46,688	62,180
Amortization of intangible assets	86,166	79,743
Professional service fees	144,384	124,214
Others	527,875	543,395
Total	4,072,741	4,147,974

56. Research and development expenditure

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Research and development material expenditure	2,603,107	2,256,397
Employee compensation costs	1,216,918	1,168,799
Depreciation expenses of fixed assets	47,770	65,672
Amortization of intangible assets	6,956	7,146
Others	253,183	218,803
Total	4,127,934	3,716,817

Financial Statements

For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

57. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	2,369,277	3,210,764
Less: Capitalized interests	437,080	824,706
Less: Interest income	967,130	1,149,521
Exchange losses	(100,719)	52,737
Bank charges	259,865	272,285
Interest expenses of lease liabilities	9,996	10,526
Others	100,654	111,723
Total	1,234,863	1,683,808

58. Other income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Related to assets/income
tax returns	50,105	39,692	Related to income
Research subsidy	7,167	5,155	Related to assets/income
Others	71,301	31,250	Related to assets/income
Total	128,573	76,097	/

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Investment (losses) income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Income from long-term equity investments under equity method	(47,081)	(41,200)
Investment income on disposal of subsidiaries and long-term equity investments	9,482	147
Investment income on disposal of financial assets held-for-trading	7,156	17,566
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	(160,541)	(21,268)
Investment income from holding investment in other equity instrument	6,318	3,839
Investment income from holding other non-current financial assets	47,209	66,799
Losses from derecognition of financial assets at amortized cost (Note)	(354,740)	(249,984)
Others	(30,227)	1,353
Total	(522,424)	(198,337)

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 RMB354,740'000 (for the period ended 30 June 2019: RMB249,984'000).

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Gains from changes in fair values

All amounts in RMB'000

Sources	Amount for the current period	Amount for the prior period
Gains arising on changes in fair value of financial assets held for trading	21,824	100
Losses arising on changes in fair value of derivative financial assets	(401)	(2,365)
Losses arising on changes in fair value of derivative financial liabilities	(4,821)	(2,615)
Gains arising on changes in fair value of other non-current financial assets	(5,179)	1,169
Total	11,423	(3,711)

61. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Credit losses of bills receivable (Note VII 4 (4))	6,425	1,699
Credit losses on accounts receivable (Note VII 5 (3))	(191,459)	54,760
Credit losses on other receivables (Note VII 8 (4)②)	(561,756)	(674,439)
Impairment losses of contract assets (Note VII 10(2))	(324,780)	2,143
Credit losses on long-term receivables (Note VII 13 (2))	(770,240)	(148,683)
Others	(42)	-
Total	(1,841,852)	(764,520)

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Impairment losses of assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I Impairment of inventories (Note VII 9(2))	(501,101)	(23,307)
II Impairment of investment properties (Note VII 17(1))	(5,371)	–
III Impairment of fixed assets (Note VII 18(1))	–	(16)
IV Impairment of construction in progress (Note VII 19(2)③)	–	(5,564)
V Impairment of intangible assets (Note VII 21)	(2,602)	–
VI Impairment of goodwill (Note VII 22(2))	(11)	(83)
Total	(509,085)	(28,970)

63. Gains on disposal of assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Gains on disposal of fixed assets	13,807	20,481
Gains on disposal of intangible assets	–	79
Total	13,807	20,560

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Non-operating income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Income from penalty	20,121	6,166	20,121
Government grants irrelevant to routine activities	89,243	32,289	89,243
Unpayable balances	28,387	26,442	28,387
Others	99,308	38,362	99,308
Total	237,059	103,259	237,059

65. Non-operating expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Fines and surcharges for overdue payments	18,402	12,660	18,402
Compensation and default payments	21,869	16,463	21,869
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	5,413	7,140	5,413
Others	10,668	9,108	10,668
Total	56,352	45,371	56,352

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

66. Income tax expenses

(1) Income tax expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Current year tax expenses	1,655,136	1,235,086
Deferred tax expenses	(428,317)	(131,155)
Total	1,226,819	1,103,931

(2) Reconciliation of income tax expenses to the accounting profit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Total profit	5,503,385	4,882,189
Income tax expenses calculated at the statutory/ applicable tax rate (25%)	1,375,846	1,220,547
Effect of difference between applicable tax rate and statutory tax rate	(206,556)	(346,042)
Income not subject to tax	120,494	(69,468)
Expenses not deductible for tax purposes	(72,822)	98,899
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(88,546)	(58,633)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	142,525	327,292
Others	(44,122)	(68,664)
Income tax expense	1,226,819	1,103,931

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which have been provided based on the statutory income tax rate of 25% on the assessable income of each of these companies during the current period as determined in accordance with the relevant PRC income tax rules and regulations except that certain subsidiaries were exempted or taxed at preferential rate.

Taxation of overseas subsidiaries within the Group has been calculated on the estimated assessable profit of these subsidiaries for the current period at the rates of taxation prevailing in the countries or jurisdictions in which these companies operate.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

67. Other comprehensive income

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	(52,305)	450
Less: Income tax effects on changes in re-measurement of defined benefit obligations	(3,339)	27
Subtotal	(48,966)	423
2. Fair value changes of investments in other equity instruments	(36,313)	26,335
Less: Income tax effects arising from fair value changes of investments in other equity instruments	(7,542)	5,709
Subtotal	(28,771)	20,626
(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	3	(30)
Less: Effect of income tax incurred by other comprehensive income under equity method	-	-
Subtotal	3	(30)
2. Changes in fair value of Receivable at FVTOCI	1,388	(48,242)
Less: Earlier included in other comprehensive income and transferred to profit and loss in the current period	(697)	-
Less: Effect of changes in fair value of receivables at FVTOCI on income tax	(2,965)	-
Subtotal	5,050	(48,242)
3. Exchange differences on translating foreign operations	162,328	24,627
Less: Income tax impact of foreign currency statement translation difference	744	-
Subtotal	161,584	24,627
Total	88,900	(2,596)

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Notes to items in the cash flow statements

(1) Other cash receipts relating to operating activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Receipts of deposits and guarantee funds	2,822,854	1,184,378
Interest income	546,090	340,424
Government grants received	148,938	224,471
Others	388,513	282,332
Total	3,906,395	2,031,605

(2) Other cash payments relating to operating activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Payments of deposits and guarantee funds	2,418,853	3,050,176
Research and development expenses	2,856,290	2,474,905
Payments for retirement benefits	184,135	205,917
Travelling expenses	240,979	255,645
Office expenses	277,452	258,843
Utility expense	191,769	496,102
Repair and maintenance expenses	170,796	64,600
Advertising and sales service expenses	74,691	402,385
Settlements for payable	217,804	301,502
Others	2,119,854	1,137,749
Total	8,752,623	8,647,824

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

68. Notes to items in the cash flow statements (Continued)

(3) Other cash receipts relating to investing activities

All amounts in RMB'000

Item	Amount for the current period	Amount for the prior period
Interest income from loans	1,519,700	778,879
Total	1,519,700	778,879

(4) Other cash payments relating to investing activities

All amounts in RMB'000

Item	Amount for the current period	Amount for the prior period
Providing loans to related parties	1,608,134	1,966,634
Total	1,608,134	1,966,634

(5) Other cash receipts relating to financing activities

All amounts in RMB'000

Item	Amount for the current period	Amount for the prior period
Changes in restricted deposits	1,085,059	–
Total	1,085,059	–

(6) Other cash payments relating to financing activities

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Increase in restricted deposits	–	641,748
Cash outflows related to leases	49,236	250,263
Transactions with minority shareholders	31,020	43,419
Redemption of perpetual medium-term notes	9,700,000	–
Total	9,780,256	935,430

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Supplementary information to the cash flow statements

(1) Supplementary information of the cash flow statements

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	4,276,566	3,778,258
Add: Provision for impairment losses of assets and credit losses	2,350,937	793,490
Depreciation of fixed assets and right-of-use assets, and amortization of investment properties	1,477,789	1,367,870
Amortization of intangible assets	264,822	242,442
Amortization of long-term prepayments	43,873	28,925
Gains on disposal of fixed assets, intangible assets and other long-term assets (Gains are listed with "-")	13,807	(20,560)
Losses on written-off of fixed assets (Gains are listed with "-")	1,479	3,142
Losses from changes in fair value (Gains are listed with "-")	(11,423)	3,711
Financial expenses (Gains are listed with "-")	1,932,196	1,670,442
Investment Losses (Gains are listed with "-")	167,684	(51,647)
Decrease in deferred tax assets (Increase are listed with "-")	(420,434)	(89,134)
Increase in deferred tax liabilities (Decrease are listed with "-")	(7,883)	(42,021)
Decrease in inventories (Increase are listed with "-")	654,704	(610,017)
Decrease in contract assets	(14,057,100)	(7,968,728)
Increase in contract liabilities	(2,033,021)	(3,742,331)
Decrease in receivables from operating activities (Increase are listed with "-")	(9,494,308)	(5,946,956)
Increase in payables from operating activities (Decrease are listed with "-")	16,254,329	5,351,086
Others	-	-
Net cash flows from operating activities	1,414,017	(5,232,028)
2. Significant non-cash investing and financing activities:	-	-
None		
3. Net changes in cash and cash equivalents:	-	-
Closing balance of cash	39,931,901	26,417,532
Less: Opening balance of cash	31,814,900	33,151,002
Net increase in cash and cash equivalents	8,117,001	(6,733,470)

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

69. Supplementary information to the cash flow statements

(2) The composition of cash and cash equivalents

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Cash	39,931,901	31,814,900
Including: Cash on hand	23,261	18,581
Bank deposits without restriction	37,552,600	30,757,024
Other cash and bank balances without restriction	2,356,040	1,039,295
II. Cash equivalents	—	—
III. Closing balance of cash and cash equivalents	39,931,901	31,814,900
Including: Cash and cash equivalents of the Company or within the Group with restriction	—	—

70. Assets with title restrictions

All amounts in RMB'000

Items	30 June 2020	Reasons
Cash and bank balances	10,777,705	Freeze/Control
Bills receivable	1,511,107	Pledge
Bills receivable	223,980	Endorsed or discounted
Receivables at FVTOCI	1,371,488	Pledge
Accounts receivable	3,725,136	Pledge
Inventories	2,603,090	Mortgage
Fixed assets	330,846	Mortgage/Freeze
Intangible assets	1,381,461	Mortgage
Investment properties	377,623	Mortgage
Total	22,302,436	/

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Foreign currencies denominated items

(1) Foreign currencies denominated items

All amounts in RMB'000

Items	Foreign currency at 30 June 2020	Exchange rate	RMB at 30 June 2020
Cash and bank balances			5,792,757
Including: USD	608,028	7.0795	4,304,535
EUR	7,362	7.9610	58,608
AUD	54,035	4.8657	262,917
HKD	117,322	0.9134	107,167
JPY	9,991	0.0658	657
GBP	2,190	8.7144	19,088
Others	/	/	1,039,785
Accounts receivable			920,715
Including: USD	54,733	7.0795	387,482
EUR	246	7.9610	1,956
Others	/	/	531,277
Other receivables			14,461,518
Including: USD	1,890,148	7.0795	13,381,300
EUR	400	7.9610	3,185
AUD	129,275	4.8657	629,015
HKD	13,243	0.9134	12,096
Others	/	/	435,922
Short-term borrowings			5,028,870
Including: USD	698,000	7.0795	4,941,491
Others	/	/	87,379
Accounts payable			951,300
Including: USD	33,770	7.0795	239,074
EUR	32,525	7.9610	258,931
JPY	57,722	0.0658	3,798
Others	/	/	449,497
Other payables			8,809,929
Including: USD	962,219	7.0795	6,812,032
EUR	400	7.9610	3,184
AUD	39,096	4.8657	190,231
HKD	13,243	0.9134	12,096
GBP	238	8.7144	2,077
Others	/	/	1,790,309
Long-term payables			693,791
Including: USD	98,000	7.0795	693,791

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

71. Foreign currencies denominated items

(2) Notes for the foreign operations

Full name of the major foreign operations	Place of business	Reporting currency	The basis of selecting functional currency
MCC Minera Sierra Grande S.A	Argentina	Argentine Peso	The functional currency of the overseas subsidiaries is selected based on the primary economic environment where they operate.
MCC Mining (Western Australia) Pty Ltd.	Australia	US Dollar	
MCC Australia Holding Pty Ltd.	Australia	Australian Dollar	
MCC Tongsin Resources Ltd.	Pakistan	US Dollar	
MCC Holding (Hong Kong) Corporation Limited	Hong Kong, 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.

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For the six months ended 30 June 2020

VII. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

72. Government grants

(1) Basic information of government grants

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
Subsidy from Resource Management Division of Ministry of Science and Technology for restructuring of research institutes	Related to income	37,808	operating cost	18,359
Infrastructure construction fee	Related to income	15,473	non-operating income	15,473
Baoshan Luodian Development Zone tax refund	Related to income	15,420	Other income	15,420
Pension expenditure to retirees allocated from the Ministry of Science and Technology	Related to income	8,998	non-operating income	8,998
Development Subsidy	Related to income	8,600	Other income	8,600
Comprehensive resource utilization project tax refund	Related to income	6,374	non-operating income	6,374
2020 key laboratory subsidies	Related to income	3,000	operating cost	–
Special funds for industrial transformation, upgrading and development	Related to assets	2,000	Other income	2,000
(0620190078) Research on the Scientific and Technological Innovation Governance System and Capability Facing the Modern Project Construction of Innovative Countries	Related to income	2,000	Research and development expense	313
(0620190056) Special funds for major scientific and technological projects and innovation platform awards in Haidian District in 2019	Related to income	1,200	Research and development expense	436
Others	Related to assets/ Related to income	166,046	Deferred income/ operating cost/operating cost/Other income/non-operating income/ financial expenses/ Research and development expense	199,657
Total	/	266,919	/	275,630

(2) The functional currencies of the Group's major foreign operations have not changed during the reporting period.

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For the six months ended 30 June 2020

VIII. CHANGES OF THE SCOPE OF CONSOLIDATION

1. Other reasons for changes in consolidation scope

All amounts in RMB'000

Company name	Investment cost	Investment method	Net assets at the end of the period	Net profit this year
China Metallurgical (Yunnan) Engineering Construction Investment Co., Ltd.	-	Investment new establishment	10,092	62
Tianjin United Huitong Investment Partnership (Limited Partnership) (Note)	-	Investment new establishment	-	-
Tianjin United Huixin Investment Partnership (Limited Partnership) (Note)	-	Investment new establishment	-	-

Note: Tianjin United Huitong Investment Partnership (Limited Partnership) and Tianjin United Huixin Investment Partnership (Limited Partnership) have not actually operated in this period.

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For the six months ended 30 June 2020

IX. INTEREST IN OTHER ENTITIES

1. Interest in subsidiaries

(1) The constitution of the Group

Name of subsidiary	Place of establishment/ incorporation	Place of business	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	Anshan	China	EPC	87.81	-	Invested by shareholders
Northern Engineering & Technology Corporation, MCC	Anshan	China	EPC	91.26	-	Invested by shareholders
China MCC 3 Group Co., Ltd.	Anshan	China	Engineering contracting	100.00	-	Invested by shareholders
Shen Kan Engineering & Technology Corporation, MCC	Shenyang	China	Investigation, design	100.00	-	Invested by shareholders
MCC Overseas Ltd.	Beijing	China	Engineering contracting	100.00	-	Invested by shareholders
MCC Communication Construction Group Co., Ltd.	Beijing	China	Infrastructure contractor	100.00	-	Invested by shareholders
MCC International Incorporation Ltd.	Beijing	China	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.	Beijing	China	Finance	86.13	12.49	Invested by shareholders
MCC Tongsin Resources Ltd.	British Virgin Islands	Pakistan	Resource development	100.00	-	Invested by shareholders
MCC-JJJ Mining Development Company Limited	Beijing	China	Resource development	67.02	-	Invested by shareholders
MCC Capital Engineering & Research Incorporation Limited	Beijing	China	EPC	88.89	-	Invested by shareholders
MCC Real Estate Group Co., Ltd.	Beijing	China	Property development	100.00	-	Invested by shareholders
China 13th Metallurgical Construction Corporation	Taiyuan	China	Engineering contracting	100.00	-	Invested by shareholders
MCC TianGong Group Corporation Limited	Tianjin	China	Engineering contracting	98.53	-	Invested by shareholders
China 22MCC Group Co., Ltd.	Tangshan	China	Engineering contracting	100.00	-	Invested by shareholders
China ENFI Engineering Co., Ltd.	Beijing	China	EPC	100.00	-	Invested by shareholders
China Second Metallurgical Group Corporation Limited	Baotou	China	Engineering contracting	100.00	-	Invested by shareholders
Central Research Institute of Building and Construction Co., Ltd.	Beijing	China	EPC	100.00	-	Invested by shareholders
China Huaye Group Co., Ltd.	Beijing	China	Engineering contracting	100.00	-	Invested by shareholders

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For the six months ended 30 June 2020

IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Name of subsidiary	Place of establishment/ incorporation	Place of business	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	Beijing	China	EPC	100.00	-	Invested by shareholders
CISDI Group Co., Ltd.	Chongqing	China	Design, service	100.00	-	Invested by shareholders
China MCC 5 Group Co., Ltd.	Chengdu	China	Engineering contracting	98.58	-	Invested by shareholders
China Metallurgical Construction Engineering Group Co., Ltd.	Chongqing	China	Engineering contracting	100.00	-	Invested by shareholders
China MCC 19 Group Co., Ltd.	Panzhuhua	China	Engineering contracting	100.00	-	Invested by shareholders
MCC Baosteel Technology Services Co., Ltd.	Shanghai	China	Repair work	59.65	20.89	Invested by shareholders
China MCC 20 Group Co., Ltd.	Shanghai	China	Engineering contracting	69.00	-	Invested by shareholders
Shanghai Baoye Group Co., Ltd.	Shanghai	China	Engineering contracting	97.93	0.80	Invested by shareholders
Huatian Engineering & Technology Corporation, MCC	Ma'anshan	China	EPC	85.10	-	Invested by shareholders
China MCC 17 Group Co., Ltd.	Ma'anshan	China	Engineering contracting	72.39	-	Invested by shareholders
China MCC International Economic and Trade Co., Ltd.	Shanghai	China	Trading	54.58	40.99	Invested by shareholders
WISDRI Engineering & Research Incorporation Limited	Wuhan	China	EPC	83.08	-	Invested by shareholders
China First Metallurgical Group Co., Ltd.	Wuhan	China	Engineering contracting	93.07	-	Invested by shareholders
Zhong Ye Chang Tian International Engineering Co., Ltd.	Changsha	China	EPC	92.61	-	Invested by shareholders
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	Wuhan	China	Investigation, design	100.00	-	Invested by shareholders
MCC-SFRE Heavy Industry Equipment Co., Ltd.	Xi'an	China	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 (Note 1, Note 2)	Hong Kong, China	China	Others	100.00	-	Established through investments

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

Name of subsidiary	Place of establishment/ incorporation	Place of business	Business scope	Proportion of ownership interest (%)		Method of getting the subsidiary
				Direct	Indirect	
MCC Financial Leasing Co., Ltd.	Zhuhai	China	Finance lease	51.00	49.00	Established through investments
MCC Inner Mongolia Construction Investment Co., Ltd.	Hohhot	China	Engineering contracting	100.00	–	Established through investments
MCC South China Construction Investment Co., Ltd.	Shenzhen	China	Engineering contracting	51.00	–	Established through investments
MCC Rail Transit Co., Ltd.	Langfang	China	Engineering contracting	100.00	–	Established through investments
MCC Zhongyuan Construction Investment Co., Ltd.	Zhengzhou	China	Engineering contracting	100.00	–	Established through investments
MCC Integrated Pipe Network Technology & Development Co., Ltd.	Baoding	China	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.	Hainan	China	Engineering contracting	60.00	37.23	Established through investments
MCC Urban Investment Holding Co., Ltd.	Guangdong	China	Engineering contracting	60.00	–	Established through investments
China Metallurgical (Yunnan) Engineering Investment and Construction Co., Ltd.	Kunming	China	Engineering contracting	60.00	–	Established through investments
Tianjin United Huixin Investment Partnership (Limited Partnership)	Tianjing	China	Investment etc.	19.999	0.004	Established through investments
Tianjin United Huitong Investment Partnership (Limited Partnership)	Tianjing	China	Investment etc.	19.999	0.004	Established through investments

Note 1: At 30 June 2020, 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.

Note 2: MCC Hong Kong, one of the Company's subsidiary, issued overseas perpetual bonds in 2018 and 2020. 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.

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

① 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 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 Minxin 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.
Tianjin United Huixin Investment Partnership (Limited Partnership)	20.00	According to the agreement between shareholders, the group has control
Tianjin United Huitong Investment Partnership (Limited Partnership)	20.00	According to the agreement between shareholders, the group has control

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

② The grounds for not controlling the investees in which the Group holds 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 one vote of veto, accounted for as a joint venture
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	90.00	The other shareholder can decide the related activities of name of investee, accounted for as an associate
Tianjin Mingjin MCC Real Estate Co., Ltd.	80.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhengzhou Baoye Zhicheng Pipe Network Construction and Management Co., Ltd.	80.00	Each shareholder has one vote of veto, accounted for as a joint venture
Zhuzhou Beihuan Dafeng Municipal Construction Co., Ltd.	80.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Yinchuan Huaiyuan Road Integrated Pipe Network Construction and Management Co., Ltd.	70.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Xuzhou MCC Chengdong Express Way Co., Ltd.	70.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Ba Zhong Sheng Rong Construction Investment Management Co., Ltd.	68.83	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Ba Zhong De Rong Construction Engineering Management Co., Ltd.	68.82	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Wuzhong City Underground Integrated Pipe Network Co., Ltd.	66.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Xinggang Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Anshan MCC Jiantou Gangcheng Development Co., Ltd.	65.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

② The grounds for not controlling the investees in which the Group holds more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Yinchuan Binhe New Area Water Center Management Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Beijing New Century Restaurant Co., Ltd.	60.00	Each shareholder has one vote of veto, accounted for as a joint venture
MCC real estate group Xianghe Mingxin Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Xing Long County MCC Minglu Real Estate Development Co., Ltd.	60.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Guizhou Ziwang Highway Construction Co., Ltd.	59.96	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Guizhou Sanli Highway Construction Co., Ltd.	59.95	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Guizhou Sanshi Highway Construction Co., Ltd.	59.90	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Sanya MCC Minglan Development Co., Ltd.	55.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Ningcheng County HongDa Mining Co., Ltd.	54.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhuhai MCC Jianxin Investment Management Partnership (LP)	51.01	Other shareholders can control the investee's activities, accounted for as an associate
MCC Rong Xing Building Materials(Chengdu) Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as an associate

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(1) The constitution of the Group (Continued)

② The grounds for not controlling the investees in which the Group holds more than half of the voting rights

Name of investee	The proportion of voting power (%)	The reason for forming part of consolidation scope
Zuhai MCC Huafumingwan Real Estate Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zhongye Tap Water (Zhumadian) Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Lahore Xingzhong Renewable Energy Co. Ltd	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Baoye Yonglian (Jiangsu) Construction Technology Co., Ltd	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture
Zuhai Hengqin Headquarters Building Investment Co., Ltd	51.00	The Group can decide the investee's activities only after signing a concerted action agreement with the other shareholder, accounted for as a joint venture.
MCC LAND (CANBERRA) PTE LTD	51.00	Other shareholders can determine the relevant activities of the invested entity and account for it as an associate

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(2) Material non-controlling interests

All amounts in RMB'000

Company name	Proportion of equity interest held by non-controlling interests (%)	Profit or loss attributable to non-controlling interests in the current period	Declaration of cash dividends to non-controlling interests	Non-controlling interests at the end of the period
WISDRI Engineering & Research Incorporation Limited	16.92	77,480	12,250	1,826,347
China First Metallurgical Group Co., Ltd.	6.93	23,322	–	1,287,242
China MCC 20 Group Co., Ltd.	31.00	78,129	5,102	1,561,335
China MCC 17 Group Co., Ltd.	27.61	131,075	–	1,359,376
MCC Capital Engineering & Research Incorporation Limited	11.11	23,601	16,908	517,212

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

1. Interest in subsidiaries (Continued)

(3) Summarized financial information of subsidiaries with material non-controlling interests

All amounts in RMB'000

Name of subsidiary	30 June 2020						31 December 2019					
	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	17,370,498	5,558,532	22,929,030	15,421,945	300,554	15,722,499	15,009,774	5,357,116	20,366,890	13,159,282	303,202	13,462,484
China First Metallurgical Group Co., Ltd.	19,817,338	3,686,248	23,503,586	16,089,529	2,304,529	18,394,058	18,311,202	3,670,297	21,981,499	15,508,329	1,673,716	17,182,045
China MCC 20 Group Co., Ltd.	23,482,119	3,934,829	27,416,948	20,728,098	1,374,267	22,102,365	22,861,440	3,882,290	26,743,730	21,338,036	380,130	21,718,166
China MCC 17 Group Co., Ltd.	18,503,249	2,960,310	21,463,559	15,299,735	1,252,013	16,551,748	16,346,334	2,718,432	19,064,766	13,796,565	826,834	14,623,399
MCC Capital Engineering & Research Incorporation Limited	13,567,580	3,087,616	16,655,196	12,093,357	163,424	12,256,781	13,619,325	3,177,391	16,796,716	12,367,923	173,860	12,541,783

(Continue to the table)

All amounts in RMB'000

Name of subsidiary	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	7,818,264	311,166	314,375	1,107,714	6,927,138	232,645	235,119	(1,277,734)
China First Metallurgical Group Co., Ltd.	12,564,113	312,105	310,074	(279,790)	10,389,745	265,805	269,658	(119,827)
China MCC 20 Group Co., Ltd.	15,589,644	295,063	294,119	88,490	13,846,965	239,496	246,719	(424,517)
China MCC 17 Group Co., Ltd.	15,995,366	474,676	470,442	(144,195)	12,267,883	329,628	329,642	283,674
MCC Capital Engineering & Research Incorporation Limited	6,977,873	159,637	160,390	437,354	7,686,877	146,783	136,751	441,853

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates

(1) Details of the Group's material joint ventures and associates

All amounts in RMB'000

Name of joint ventures and associates	Principal place of operation	Place of establishment	Principal activities	Proportion of ownership interest held by the Group (%)		Accounting method
				Direct	Indirect	
Guizhou Sanli Highway Construction Co., Ltd.	China	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.		Qiandongnan Miao and Dong Autonomous Prefecture	Highway investment and development	59.90	-	Equity method
Zuhai Hengqin headquarters building investment Co., Ltd	China	Zuhai	Real estate investment and development	51.00	-	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
Zuhai MCC Jianxin Investment Management Partnership (LP)	China	Zuhai	Investment management	51.01	-	Equity method
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	China	Yingkou	Special steel production and equipment manufacturing	48.96	-	Equity method
Tianjin SERI Machinery Equipment Corporation Ltd.	China	Tianjin	Equipment manufacturing	50.00	-	Equity method
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	China	Beijing	Investment management	13.88	-	Equity method
Sichuan Development National Metallurgical Construction Investment Co., Ltd.	China	Chengdu	Engineering construction investment	40.00	-	Equity method

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IX. INTEREST IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates

① 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	Representative is appointed on the board of directors of the investee
Erlian Haote Xinye Yixin Infrastructure Construction and Operation Co., Ltd.	19.68	Representative is appointed on the board of directors of the investee
Tianjin MCC Heyuan Real Estate Co., Ltd.	19.00	Representative is appointed on the board of directors of the investee
Tianjin Yuanda Xingchen Residential Industry Co., Ltd.	18.89	Representative is appointed on the board of directors of the investee
Meizhou Pingye Highway Construction Co., Ltd.	18.00	Representative is appointed on the board of directors of the investee
Changsha Happy Ocean Park Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Huixian Yushi Infrastructure Investment Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Tangshan Station West Construction Development Co., Ltd.	16.00	Representative is appointed on the board of directors of the investee
Tongren Jingjiang Cultural Tourism Co., Ltd.	15.10	Representative is appointed on the board of directors of the investee
Kunming MCC Urban Construction Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Binhai County Panxi Public Infrastructure Investment and Construction Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Jiangxi Shangli Jiasheng City Construction Development Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Qingyang Longjie sponge city construction management and Operation Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Anyang MCC Pu'an Highway Engineering Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Hangzhou Fuyang Shenrong Construction Development Co., Ltd.	15.00	Representative is appointed on the board of directors of the investee
Baiyin Integrated Pipe Network Management Co., Ltd.	14.29	Representative is appointed on the board of directors of the investee
Changchun Runde Construction Project Management Co., Ltd.	13.54	Representative is appointed on the board of directors of the investee
Beijing City Vice-Center Investment Fund Partnership (Limited Partnership)	13.88	Have representatives in the investment committee of the investee
Changji City Haichang Project Management Co., Ltd.	13.00	Representative is appointed on the board of directors of the investee
Yuhuan Tianshang Construction and Development Co., Ltd.	12.20	Representative is appointed on the board of directors of the investee
Shangqiu City Tiangong Engineering Management Co., Ltd.	12.00	Representative is appointed on the board of directors of the investee

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For the six months ended 30 June 2020

IX. INTEREST IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

① 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 MCC Xiongzhou City Development Co., Ltd.	11.00	Representative is appointed on the board of directors of the investee
Leshan City Legao Urban Construction Engineering Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chuzhou Kangjian Sports Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Chongqing Xiema East& West Main Line Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Yichun MCC Tiangong Xiujiang Real Estate Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Shunjian Urban Construction Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Luxi Huarui Construction Engineering Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Cangnan Zhonggong Construction and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Shunye Investment and Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jiayang Zhongye Tianshun Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Qingdao Qingping Olympic Sports Engineering Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Foshan Jianxin Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Zhangpu Chengye Construction Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanjing Laoshan Shijiu Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Mianyang MCC Three Highway Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xingtai Runhe Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Ya'an Tianshun Kunye Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Renqiu MCC Infrastructure Construction Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Jiayang Tianshun Traffic Investment Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Lanzhou Zhenghao Pipe Network Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee

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For the six months ended 30 June 2020

IX. INTEREST IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

① 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	Representative is appointed on the board of directors of the investee
Luzhou MCC City Construction Development Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xiangxi Houyi Tiangong Tourism Artery Road Construction Operation Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xiangxi Zhongyi Tengda Project Management Co. Ltd.	10.00	Representative is appointed on the board of directors of the investee
Quanzhou City Quangang MCC Tianfeng Project Management Co., Ltd	10.00	Representative is appointed on the board of directors of the investee
Anyang Runbao Water System Improvement Project Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Nanchong Seventeenth Ye Jiangdong Biaomei Construction Investment Management Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Xi'an Golden Port Dingsheng Real Estate Co., Ltd.	10.00	Representative is appointed on the board of directors of the investee
Sichuan Yichengda Air Railway Technology Co., Ltd.	5.00	Representative is appointed on the board of directors of the investee
Chongqing Yuxiang Double Line Expressway Co., Ltd.	4.99	Representative is appointed on the board of directors of the investee

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For the six months ended 30 June 2020

IX. INTEREST IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures and associates (Continued)

(1) Details of the Group's material joint ventures and associates (Continued)

② 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 Environmental Protection Science & Technology Co., Ltd.	22.86	
BERIS Engineering and Research Corporation	20.00	
Jiangsu Heavy Industry Co., Ltd.	20.00	
Shanxi Sanjin Mining Holdings Co., Ltd.	20.00	

(2) Summarized financial information of material joint ventures and associates

All amounts in RMB'000

	30 June 2020/ Amount recognized in the current period	31 December 2019/ Amount recognized in the prior period
I. Joint ventures	/	/
Total carrying amount	6,961,441	6,553,411
The Group's share of the following items		
Net profit	(84,782)	(5,336)
Other comprehensive income	-	(27)
Total comprehensive income	(84,782)	(5,363)
II. Associates		
Total carrying amount	16,304,185	15,280,955
The Group's share of the following items		
Net profit	37,701	(35,864)
Other comprehensive income	165	(3)
Total comprehensive income	37,866	(35,867)

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X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

1. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares and other equity instruments, or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total borrowings (including short-term borrowings, long-term borrowings, bonds payable and 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 of the Group as at 30 June 2020 and 31 December 2019 are as follows:

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Total borrowings:		
Short-term borrowings	56,380,402	40,476,556
Long-term borrowings (inclusive of those due within one year)	36,691,815	34,974,534
Bonds payable (inclusive of those due within one year)	1,678,872	8,670,027
Lease liabilities (inclusive of those due within one year)	441,750	518,656
Long term finance lease payables (inclusive of those due within one year)	—	—
Less: Cash and cash equivalents	39,931,901	31,814,900
Net debt	55,260,938	52,824,873
Shareholders' equity	118,740,877	116,905,508
Total capital	174,001,815	169,730,381
The gearing ratio	31.76%	31.12%

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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

① 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 arises. 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 2020 are set out in Note VII 71.

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 2020, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the profit after tax of the Group for the six months period ended 30 June 2020 would have been approximately RMB269,346'000 lower/higher (as at 31 December 2019: RMB90,169'000 lower/higher).

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For the six months ended 30 June 2020

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(1) Market risk (Continued)

② 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.
- (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.

The treasury department of the headquarters of the Group continually monitors its level of interest rate. 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 2019, the Group was not involved in any interest rate swap arrangements.

As at 30 June 2020, short-term borrowings of the Group were amounting to RMB56,380,402'000(as at 31 December 2019: RMB40,476,556'000); Long-term interest bearing debts at floating rates due within one year were amounting to RMB2,825,039'000 (as at 31 December 2019: RMB2,492,248'000); long-term interest bearing debts at floating rates due over one year were amounting to RMB12,260,050'000 (as at 31 December 2019: RMB11,711,086'000); Long-term interest bearing debts at fixed rates due within one year were amounting to RMB3,931,314'000 (as at 31 December 2019: RMB12,489,300'000); long-term interest bearing debts at fixed rates due over one year were amounting to RMB18,134,333'000 (as at 31 December 2019: RMB17,470,583'000) (Notes VII 26.VII 35.VII 37. VII 38. VII 39).

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 RMB103,836'000 lower/higher (for the period ended 30 June 2019: approximately RMB203,917'000).

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 RMB24,286'000 lower/higher (for the period ended 30 June 2019: approximately RMB28,621'000).

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For the six months ended 30 June 2020

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(2) Credit risk

As at 30 June 2020, 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 2020, the Group's external guarantee refers to Note XIII 2.

Please refer to Note V10 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 accounts receivable, refer to Note VII 4, changes in the book value and provision for credit losses of accounts receivables, refer to Note VII 5, changes in the book value and provision for credit losses of receivables at FVTOCI, refer to Note VII 6, changes in the book value and provision for credit losses of other receivables, refer to Note VII 8, changes in the book value and provision for credit losses of long-term receivables, refer to Note VII 13, and for the changes in the book value and provision for credit losses of the contract assets, refer to Note VII 10.

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 30 June 2020, the top five accounts receivable and other receivables of the Group's balances owed by the arrears is shown in Note VII 5 and Note VII 8.

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For the six months ended 30 June 2020

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(3) Liquidity risk

Subsidiaries of the Group take responsibility of their own cash flow forecast. On the basis of summarizing cash flow forecasts from subsidiaries, the treasury department at the headquarters continuously monitors both short-term and long-term financing needs on the Group level in order to obtain adequate cash reserve and quoted securities. Meanwhile, the treasury department will constantly monitor and see any non-compliance of borrowings and obtain sufficient loan facilities from major financial institutions to meet both short-term and long-term financing needs.

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 30 June 2020 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	50,709,606	–	–	–	50,709,606
Bills receivable	8,450,503	–	–	–	8,450,503
Accounts receivable	82,626,524	–	–	–	82,626,524
Receivables at FVTOCI	8,499,969	–	–	–	8,499,969
Other receivables	61,292,100	–	–	–	61,292,100
Non-current assets due within one year	2,155,836	–	–	–	2,155,836
Long-term receivables	37,384	15,421,547	9,888,754	4,029,244	29,376,929
Total	213,771,922	15,421,547	9,888,754	4,029,244	243,111,467
Financial liabilities–	–	–	–	–	–
Short-term borrowings	57,411,268	–	–	–	57,411,268
Derivative financial liabilities	8,919	131	–	–	9,050
Bills payable	34,888,098	–	–	–	34,888,098
Accounts payable	129,103,476	–	–	–	129,103,476
Other payables	28,533,974	–	–	–	28,533,974
Non-current liabilities due within one year	7,336,349	–	–	–	7,336,349
Long-term borrowings	1,586,838	16,007,386	13,416,392	4,722,174	35,732,790
Bonds payable	39,399	39,399	808,482	–	887,280
Lease liabilities	–	138,309	120,023	54,069	312,401
Long-term payables	–	2,878	6,052	430,559	439,489
Total	258,908,321	16,188,103	14,350,949	5,206,802	294,654,175

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For the six months ended 30 June 2020

X. CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

2. Financial instruments and risk management (Continued)

(4) Transfer of financial assets

Details are set out in Note VII 4, Note VII 5 and Note VII 6.

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	Level 1 of the fair value hierarchy	Level 2 of the fair value hierarchy	Level 3 of the fair value hierarchy	Total
I. Measured at fair value on a recurring basis				
(I) Financial assets at fair value through profit or loss	2,284,333	4,239,784	52,990	6,577,107
1. Financial assets held for trading	2,284,333	–	–	2,284,333
(1) Monetary fund	2,283,471	–	–	2,283,471
(2) Investment in equity instruments	862	–	–	862
2. Other non-current financial assets	–	4,239,784	52,990	4,292,774
(1) Investment in equity instruments	–	–	52,990	52,990
(2) Investment in unquoted fund product	–	4,239,784	–	4,239,784
(II) Receivable financing	–	8,497,884	–	8,497,884
(III) Investments in other equity instruments	298,346	–	1,523,975	1,822,321
Total assets that are measured at fair value on a recurring basis	2,582,679	12,737,668	1,576,965	16,897,312
(IV) Derivative financial liabilities	–	9,050	–	9,050
Total liabilities that are measured at fair value on a recurring basis	–	9,050	–	9,050

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XI. FAIR VALUE MEASUREMENTS (CONTINUED)

2. The basis of market prices determined on level 1 of the fair value hierarchy

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.

3. Qualitative and quantitative information of valuation techniques and key inputs on level 2 of the fair value hierarchy

Items	Valuation techniques	Key inputs
Other non-current financial assets – Investment in unquoted fund product	Discounted cash flow method	Average yield rate of similar products of the same term
Derivative financial instruments	Discounted cash flow method	The forward rate
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

Items	Valuation techniques	Key inputs
Other equity instrument investments – Investment in unquoted equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry
Other non-current financial assets – Investment in equity instruments	Cost method/Market method/Income method	Future cash flows, discount rate and key financial ratios of comparable listed companies from the same industry

5. Reconciliation information of the opening balance and the closing balance on level 3 of the fair value hierarchy

All amounts in RMB'000

Items	31 December 2019	Additions for the period	Fair value changes for the current period	Disposal for the period	30 June 2020
Other equity instrument investments- Investment in unquoted fund product	1,490,497	9,722	24,507	(751)	1,523,975
Other non-current financial assets- Investment in equity instruments	51,315	1,675	-	-	52,990

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XI. FAIR VALUE MEASUREMENTS (CONTINUED)

6. There was no transfer between any levels of the fair value hierarchy in the reporting period.
7. There was no change in the valuation techniques in the reporting period.
8. Fair value of financial assets and financial liabilities that are measured at fair value on a non-recurring basis

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

Items	Carrying amount as at 30 June 2020	Fair value as at 30 June 2020			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:					
1. Long-term borrowings at fixed interest rate	17,009,931	–	17,611,752	–	17,611,752
2. Bonds payable at fixed interest rate	16,219,931	–	16,797,162	–	16,797,162
	790,000	–	814,590	–	814,590

All amounts in RMB'000

Items	Carrying amount as at 31 December 2019	Fair value as at 31 December 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:					
1. Long-term borrowings at fixed interest rate	17,168,529	–	17,618,015	–	17,618,015
2. Bonds payable at fixed interest rate	15,508,529	–	15,905,183	–	15,905,183
	1,660,000	–	1,712,832	–	1,712,832

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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 (Continued)

Quantitative information determined in accordance with the level 2:

Items	Valuation techniques	Key inputs
Long-term borrowings at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China
Bonds payable at fixed interest rate	Discounted cash flow method	Benchmark lending rate with corresponding maturity released by the People's Bank of China

XII. RELATED PARTIES AND TRANSACTIONS

1. Details of the parent company of the Company

All amounts in RMB'000

Name of company	Place of registration	Principal activities	Registered capital	Percentage of ownership interest in the Company (%)	Percentage of voting rights in the Company (%)
China Metallurgical Group Corporation	Beijing	Engineering contracting, property development, equipment manufacture, resource development and others	10,338,556	49.18	49.18

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in Note IX 1.

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates of the Group

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:

Name of joint ventures and associates	Relationship with the Group
Ma'anshan MCC Huaxin Water Environment Treatment Co., Ltd.	Joint venture
Sichuan Free Trade Pilot Zone Tongyu Park Operation Co., Ltd.	Joint venture
Jianyang MCC Xiongzhou City Development Co., Ltd.	Joint venture
Chengdu Congshu Yejian Construction Engineering Co., Ltd.	Joint venture
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	Joint venture
Guangzhou MCC Minghui Real Estate 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
Tianjin Mingjin MCC Real Estate Co., Ltd.	Joint venture
Guangzhou MCC Mingjie Real Estate Co., Ltd.	Joint venture
Sanya MCC Minglan Development Co., Ltd.	Joint venture
Xuzhou MCC Chengdong Express Way Co., Ltd.	Joint venture
Tianjin MCC Mingrui Real Estate Co., Ltd.	Joint venture
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	Joint venture
Chengdu Qingye Tianshun Construction Co., Ltd.	Joint venture
MCC Jiaotoushanzhu (Chengdu) Prefabricated Building Technology Development Co., Ltd.	Joint venture
Sichuan Guotai High-tech Pipe Gallery Industry Investment Co., Ltd.	Joint venture
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Joint venture
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	Joint venture
MCC Huafa Public Comprehensive Pipe Gallery Co., Ltd.	Associate
Tianjin SERI Machinery Equipment Corporation Ltd.	Associate
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	Associate
Chongqing Yunkai Expressway Co., Ltd.	Associate
Shiyan Baoye Urban Construction Co., Ltd.	Associate
Bengbu China Metallurgical Dragon Real Estate Co., Ltd.	Associate
Jianyang Zhongye Tianshun Construction Co., Ltd.	Associate
22nd Metallurgical Times Real Estate (Tangshan) Co., Ltd.	Associate
Bijie Xinye Municipal Engineering Co., Ltd.	Associate
Zigong Yejian Construction Engineering Co., Ltd.	Associate

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	Associate
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd	Associate
Gansu public Traffic Dinglin Expressway Management Co., Ltd.	Associate
Wuhan Jingkai Artificial Intelligence Technology Park Construction Investment Co., Ltd.	Associate
Chuzhou Culture Creation Construction and Development Co., Ltd.	Associate
Guigang Guoye Pipe Gallery Construction Co., Ltd.	Associate
Dancheng Zhongyi Ecological Environment Management Co., Ltd.	Associate
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	Associate
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	Associate
Luzhou MCC City Construction Development Co., Ltd.	Associate
Changsha MCC Kaixin Project Management Co., Ltd.	Associate
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	Associate
Peng'an Pengye Highway Development Co., Ltd.	Associate
Zhengzhou Huituo Urban and Rural Construction Co., Ltd.	Associate
Si County MCC construction Investment Co., Ltd.	Associate
Jiangsu Rongyu Construction Development Co., Ltd.	Associate
Quzhou Baoye Sports Construction and Operation Co., Ltd.	Associate
Nanchong Shunjian Urban Construction Management Co., Ltd.	Associate
Suining Kaihong Construction Development Co., Ltd.	Associate
Sichuan Developing Shuou Construction Engineering Co., Ltd.	Associate
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	Associate
Nanjing Pukou Xingbao Construction Development Co., Ltd.	Associate
Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	Associate
Qiqihar North MCC Real Estate Co., Ltd.	Associate
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Associate
Sichuan Hangye Industrial Co., Ltd.	Associate
Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	Associate
Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	Associate
Ma'anshan MCC Economic Development Company Ltd.	Associate

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

3. Joint ventures and associates of the Group (Continued)

Name of joint ventures and associates	Relationship with the Group
Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	Associate
Changchun Runde Construction Project Management Co., Ltd.	Associate
Foshan Jianxin Infrastructure Construction Co., Ltd.	Associate
Baotou MCC Real Estate Co., Ltd.	Associate
Lu'an MCC Project Management Co., Ltd.	Associate
Wuhan Zhong Yi Investment Construction Company Ltd.	Associate
Tianjin Tuanbo Urban Development Co., Ltd.	Associate
MCC Capital (Xiangtan) Heavy Industry Equipment Co., Ltd.	Associate
Chongqing Beimeng Project Management Limited Liability Company	Associate
Shanghai Yuepu South Concrete Co., Ltd.	Associate
Tianjin MCC Heyuan Real Estate Co., Ltd.	Associate
Zhejiang MCC Investment Management Co., Ltd.	Associate
Xichang Anmin City Construction Investment Co., Ltd.	Associate
Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	Associate
Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	Associate
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Associate
Gansu public Traffic Tongding Expressway Management Co., Ltd.	Associate
First Metallurgical Construction Engineering Xuzhou Co., Ltd.	Associate
Longnan Zhonggong Infrastructure Construction Management Co., Ltd.	Associate
Zhangpu Chengye Construction Investment Co., Ltd.	Associate
Ma'anshan MCC High-tech Construction Co., Ltd.	Associate
Southern New Town Comprehensive Pipe Gallery Management Co., Ltd.	Associate
Hohhot Xinlian Project Management Co., Ltd	Associate

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

4. Other related parties of the Group

Name of other related parties	Relationship with the Group
MCC Ruimu Amperex Technology Limited	Controlled by MCC group
Minmetals Steel Chengdu Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Shanghai Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Lanzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Tianjin Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Nonferrous Metals Holdings Limited	Under common control of China Minmetals Corporation
Minmetals Steel Beijing Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Guangzhou Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel (Wuhan) Limited Company	Under common control of China Minmetals Corporation
Minmetals Steel Xiamen Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Steel Xi'an Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals International Engineering Technology Co., Ltd.	Under common control of China Minmetals Corporation
The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	Under common control of China Minmetals Corporation
Minmetals Nonferrous Metals Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Yingkou Medium Plate Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals (Tangshan) Ore Development Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals (Yingkou) Industrial Park Real Estate Development Co., Ltd.	Under common control of China Minmetals Corporation
Zhuzhou Smelter Group Co., Ltd.	Under common control of China Minmetals Corporation
Foshan Kuangsheng Real Estate Development Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Construction (Yingkou) Hengfu Real Estate Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Salt Lake Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Development Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Securities Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Nonferrous Metals Trade Co., Ltd.	Under common control of China Minmetals Corporation
Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	Under common control of China Minmetals Corporation
Hunan Huangshaping Lead-Zinc Mine	Under common control of China Minmetals Corporation
China National Foreign Trade Financial & Leasing Co., Ltd.	Under common control of China Minmetals Corporation
Beijing MCC Construction Taxi Co., Ltd.	Under common control of China Minmetals Corporation
Shanghai MCC Hospital	Under common control of China Minmetals Corporation
Beijing Dongxing Metallurgical New-Tech & Development Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals Iron and Steel Co., Ltd.	Under common control of China Minmetals Corporation
Minmetals International Trust Co., Ltd.	Under common control of China Minmetals Corporation

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Purchase or sales of goods, provision or receipt of services

① Purchase of goods and receipt of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Transactions of companies under common control by CMC:	/	3,238,131	2,577,592
Minmetals Steel Chengdu Co., Ltd.	Purchase of goods	973,259	1,035,504
Minmetals Steel Shanghai Co., Ltd.	Purchase of goods	585,628	100,860
Minmetals Steel Lanzhou Co., Ltd.	Purchase of goods	326,062	63,465
Minmetals Steel Tianjin Co., Ltd.	Purchase of goods and receipt of services	237,748	229,004
Minmetals Nonferrous Metals Holdings Limited	Purchase of goods and receipt of services	222,614	-
Minmetals Steel Beijing Co., Ltd.	Purchase of goods and receipt of services	215,478	70,789
Minmetals Steel Guangzhou Co., Ltd.	Purchase of goods	202,960	246,996
Minmetals Steel (Wuhan) Limited Company	Purchase of goods	144,507	68,538
Minmetals Steel Xiamen Co., Ltd.	Purchase of goods	74,388	-
Minmetals Steel Xi'an Co., Ltd.	Purchase of goods	74,093	184,252
Minmetals International Engineering Technology Co., Ltd.	Purchase of goods	35,357	228,443
Others	Purchase of goods and receipt of services	146,037	349,741
Transactions with joint ventures and associates:	/	343,860	446,611
Tangshan Caofeidian 22nd Metallurgical Construction Technique Co., Ltd.	Purchase of goods and receipt of services	151,569	-
Changchun Runde Construction Project Management Co., Ltd.	receipt of services	69,478	-
Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	Purchase of goods	31,476	-
China 22 MCC Corporation Industrial Technology Service Co., Ltd.	Purchase of goods	25,677	43,676
Southern New Town Comprehensive Pipe Gallery Management Co., Ltd.	receipt of services	18,629	-
Tianjin SERI Machinery Equipment Corporation Ltd.	Purchase of goods	7,716	34,782
Shanghai Yuepu South Concrete Co., Ltd.	Purchase of goods	5,218	36,876
MCC Capital (Xiangtan) Heavy Industry Equipment Co., Ltd.	Purchase of goods	3,998	27,446
Sichuan Guotai High-tech Pipe Gallery Industry Investment Co., Ltd.	Purchase of goods and receipt of services	3,955	40,382
Others	Purchase of goods and receipt of services	26,144	263,449
Related transactions with shareholders who hold more than 5% of the shares of the group:	/	1,513	-
China National Petroleum Corporation	Purchase of goods	1,513	-

Note: These connected transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

② Sales of goods and provision of services

All amounts in RMB'000

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Transactions with companies under common control of CMGC:	/	201,112	230,092
MCC Ruimu Amperex Technology Limited	Sale of goods and provision of services	201,112	230,092
Transactions with companies controlled by China Minmetals:	/	1,226,290	1,078,362
Minmetals Nonferrous Metals Co., Ltd.	Sale of goods	702,633	–
Minmetals Yingkou Medium Plate Co., Ltd.	Sale of goods and provision of services	88,662	411,249
Minmetals (Tangshan) Ore Development Co., Ltd.	Sale of goods	83,972	–
Minmetals (Yingkou) Industrial Park Real Estate Development Co., Ltd.	Sale of goods	81,063	–
Zhuzhou Smelter Group Co., Ltd.	Sale of goods	57,292	501,056
Foshan Kuangsheng Real Estate Development Co., Ltd.	Sale of goods	47,863	15,449
Minmetals Construction (Yingkou) Hengfu Real Estate Co., Ltd.	Sale of goods	45,856	23,157
Minmetals Salt Lake Co., Ltd.	Sale of goods	43,041	–
Others	Sale of goods and provision of services	75,908	127,451
Transactions with joint ventures and associates:	/	20,977,135	23,564,147
Zigong Yejian Construction Engineering Co., Ltd.	provision of services	639,812	–
Zhumadian Zhongyi Municipal Construction Management Co., Ltd.	provision of services	604,386	325,070
Gansu public Traffic Tongding Expressway Management Co., Ltd.	provision of services	541,786	–
Yiyang MCC Science and Industry Infrastructure Development Co., Ltd.	provision of services	462,969	–
Gansu public Traffic Dinglin Expressway Management Co., Ltd.	provision of services	455,185	–
Wuhan Jingkai Artificial Intelligence Technology Park Construction Investment Co., Ltd.	provision of services	425,519	–
Guiyang City Hongyuan Yongsheng Rail Transit Line II Project II Construction Management Co., Ltd.	provision of services	382,028	436,884
Chuzhou Culture Creation Construction and Development Co., Ltd.	provision of services	369,096	446,584
Hohhot Xinlian Project Management Co., Ltd.	provision of services	368,440	–
Sichuan Free Trade Pilot Zone Tongyu Park Operation Co., Ltd.	provision of services	365,545	–
Guigang Guoye Pipe Gallery Construction Co., Ltd.	provision of services	346,153	–
Jiayang MCC Xiongzhou City Development Co., Ltd.	provision of services	330,992	471,795

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Purchase or sales of goods, provision or receipt of services (Continued)

② Sales of goods and provision of services (Continued)

Related parties	Related party transactions	Amount for the current period	Amount for the prior period
Chengdu Congshu Yejian Construction Engineering Co., Ltd.	provision of services	320,038	-
Yibin Xinye New Energy Automobile Industry Park Construction Management Co., Ltd.	provision of services	318,545	311,656
Dancheng Zhongyi Ecological Environment Management Co., Ltd.	provision of services	317,715	-
Xi'an MCC Pipe Network Construction and Management Co., Ltd.	provision of services	287,484	613,879
Zhongshan MCC Cuicheng Street Integrated Pipe Network Co., Ltd.	provision of services	285,228	-
Luzhou MCC City Construction Development Co., Ltd.	provision of services	284,954	-
Changsha MCC Kaixin Project Management Co., Ltd.	provision of services	270,250	-
Zhoukou Tiangong High Speed Rail Area Construction Co., Ltd.	provision of services	268,663	332,880
Peng'an Pengye Highway Development Co., Ltd.	provision of services	267,276	-
Chongqing Taoye Yunxi Big Data Management Co., Ltd.	provision of services	259,014	-
Zhengzhou Huituo Urban and Rural Construction Co., Ltd.	provision of services	256,630	-
Si County MCC construction Investment Co., Ltd.	provision of services	254,155	362,084
Jiangsu Rongyu Construction Development Co., Ltd.	provision of services	219,522	561,800
Others	Sale of goods and provision of services	12,075,750	19,701,515

Note: These connected transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Lease

① As lessor

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 MCC Construction Taxi Co., Ltd.	Buildings, structures	–	113
Shanghai MCC Hospital	Buildings, structures	226	–
Total	/	226	113

② As lessee

All amounts in RMB'000

Name of lessor	Type of leased assets	Lease liabilities as of 30 June 2020	Right-of-use assets at 30 June 2020	Leasing expense recognized for the current period
China Metallurgical Group Corporation	Buildings, structures	51,210	–	27,862
Beijing Dongxing Metallurgical New Technology Development Co., Ltd.	Buildings, structures	13,999	–	3,265
Total	/	65,209	–	31,127

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(3) Guarantee

① Grant guarantee

All amounts in RMB'000

Guarantee	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 30 June 2020
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	128,533	2019-09-04	2024-09-04	No
Zhuhai Hengqin Headquarters Building Development Co., Ltd.	199,226	2019-09-04	2024-09-04	No

② Guarantees be granted

All amounts in RMB'000

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed at 30 June 2020
China Metallurgical Group Corporation	1,321,138	2020-05-05	2023-05-05	No
China Metallurgical Group Corporation	2,123,850	2019-11-01	2022-10-31	No
China Metallurgical Group Corporation	353,975	2020-6-1	2021-5-31	No

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For the six months ended 30 June 2020

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Loans from/to related parties

All amounts in RMB'000

Related party	Borrowings/ Loans	Inception date	Expiration date	Notes
Borrowing				
China Metallurgical Group Corporation	1,500,000	2020-1-22	2021-1-21	General borrowings
Minmetals Development Co., Ltd.	10,000	2020-4-16	2021-4-15	General borrowings
Minmetals Development Co., Ltd.	10,000	2020-4-29	2021-4-28	General borrowings
Minmetals Development Co., Ltd.	10,000	2020-5-7	2022-5-6	General borrowings
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	236	2020-1-1	2020-12-31	General borrowings
Total	1,530,236	/	/	/
Lending				
Sanya MCC Minglan Development Co., Ltd.	343,385	2020-1-1	No fixed maturity date	General borrowings
Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	266,400	2020-1-1	No fixed maturity date	General borrowings
Tianjin MCC Mingrui Real Estate Co., Ltd.	150,000	2020-1-1	No fixed maturity date	General borrowings
Guangzhou MCC Mingjie Real Estate Co., Ltd.	150,000	2020-1-1	No fixed maturity date	General borrowings
Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	139,500	2020-1-1	No fixed maturity date	General borrowings
Hangzhou MCC Mingze Real Estate Development Co., Ltd.	123,600	2020-1-1	No fixed maturity date	General borrowings
Nanjing Pukou Xingbao Construction Development Co., Ltd.	115,600	2020-1-1	2020-6-30	General borrowings
Sichuan Free Trade Pilot Zone Tongyu Park Operation Co., Ltd.	103,370	2020-3-1	2020-12-31	General borrowings
Guangzhou MCC Minghui Real Estate Co., Ltd.	82,000	2020-1-1	No fixed maturity date	General borrowings
Zigong Yejian Construction Engineering Co., Ltd.	70,000	2020-5-1	2020-12-31	General borrowings
Tianjin Mingjin MCC Real Estate Co., Ltd.	60,000	2020-1-1	No fixed maturity date	General borrowings
Others	151,518	/	/	/
Total	1,755,373	/	/	/

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For the six months ended 30 June 2020

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation of key management personnel

All amounts in RMB'000

Key management personnel compensation	Amount for the current period	Amount for the prior period
Total	4,488	3,853

(6) Other related party transactions

All amounts in RMB'000

Related party transactions	Related parties	Amount for the current period	Amount for the prior period
Interest income	Guangzhou MCC Mingjie Real Estate Co., Ltd.	64,883	59,228
Interest income	Tianjin MCC Mingrui Real Estate Co., Ltd.	63,532	–
Interest income	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	60,259	102,086
Interest income	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	52,352	77,246
Interest income	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	41,989	51,292
Interest income	Guangzhou MCC Minghui Real Estate Co., Ltd.	31,683	115,126
Interest income	MCC Ramu New Energy Technology Co., Ltd.	14,234	14,092
Interest income	Suining Kaihong Construction Development Co., Ltd.	14,037	–
Interest income	Sichuan Hangye Industrial Co., Ltd.	13,696	–
Interest income	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	13,276	13,995
Interest income	Tianjin Mingjin MCC Real Estate Co., Ltd.	10,700	–
Interest income	Others	171,790	345,814
Total	/	552,431	778,879
Interest expense	Sichuan Developing Shuoou Construction Engineering Co., Ltd.	28,934	–
Interest expense	Chengdu Qingye Tianshun Construction Co., Ltd.	21,680	–
Interest expense	China National Foreign Trade Financial & Leasing Co., Ltd.	11,972	18,287
Interest expense	Minmetals Development Co., Ltd.	265	–
Interest expense	China Metallurgical Group Corporation	34,343	65,803
Interest expense	Minmetals Securities Co., Ltd.	–	15,222
Total	/	97,194	99,312

Note: These connected transactions constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules of the Hong Kong Stock Exchange.

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties

(1) Receivables

All amounts in RMB'000

Items	Related parties	30 June 2020		31 December 2019	
		Carrying amount	Provisions for credit losses	Carrying amount	Provisions for credit losses
Accounts receivable	Minmetals Nonferrous Metals Holdings Limited	423,708	-	-	-
Accounts receivable	Bengbu China Metallurgical Dragon Real Estate Co., Ltd.	270,522	-	-	-
Accounts receivable	Nanchong Zhongjian Shijiu Road Construction and Investment Co., Ltd.	252,458	-	156,052	-
Accounts receivable	Jiangsu Rongyu Construction Development Co., Ltd.	219,786	3,633	381,670	6,145
Accounts receivable	MCC Jiaotoushanzhu (Chengdu) Prefabricated Building Technology Development Co., Ltd.	206,424	3,324	206,413	3,323
Accounts receivable	Nanchong 17 MCC Jiangdongbiaomei Construction Investment Management Co., Ltd.	195,300	-	195,300	-
Accounts receivable	Ma'anshan MCC Economic Development Company Ltd.	160,427	-	190,260	-
Accounts receivable	Chuzhou Culture Creation Construction and Development Co., Ltd.	155,397	-	-	-
Accounts receivable	Siping City Integrated Pipe Network Construction and Operation Co., Ltd.	153,298	-	218,760	-
Accounts receivable	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	150,506	3,868	-	-
Accounts receivable	Foshan Jianxin Infrastructure Construction Co., Ltd.	148,288	3,811	185,400	6,475
Accounts receivable	Baotou MCC Real Estate Co., Ltd.	147,040	112,409	145,953	102,637
Accounts receivable	Xuzhou MCC Chengdong Express Way Co., Ltd.	143,187	-	-	-
Accounts receivable	Suining Kaihong Construction Development Co., Ltd.	129,745	-	-	-
Accounts receivable	Ma'anshan MCC High-tech Construction Co., Ltd.	125,728	-	-	-
Accounts receivable	Si County MCC construction Investment Co., Ltd.	113,460	-	280,938	-
Accounts receivable	Lu'an MCC Project Management Co., Ltd.	111,456	-	190,744	-
Accounts receivable	Longnan Zhonggong Infrastructure Construction Management Co., Ltd.	110,637	3,220	-	-
Accounts receivable	Zhangpu Chengye Construction Investment Co., Ltd.	105,263	5,297	-	-
Accounts receivable	Others	3,402,182	693,630	4,799,180	201,125
Total	/	6,724,812	829,192	6,950,670	319,705

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XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

Items	Related parties	30 June 2020		31 December 2019	
		Carrying amount	Provisions for credit losses	Carrying amount	Provisions for credit losses
Other receivables	Hangzhou MCC Mingze Real Estate Development Co., Ltd.	2,902,441	–	2,746,400	–
Other receivables	Tianjin MCC Mingrui Real Estate Co., Ltd.	2,727,474	–	2,518,344	–
Other receivables	Guangzhou MCC Mingjie Real Estate Co., Ltd.	2,619,055	–	2,455,583	–
Other receivables	Guangzhou MCC Minghui Real Estate Co., Ltd.	2,107,137	–	2,016,399	–
Other receivables	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	1,950,327	–	1,601,755	181
Other receivables	Shigang Jingcheng Equipment Development and Manufacturing Co., Ltd.	1,912,006	456,557	1,908,294	452,771
Other receivables	Shijiazhuang MCC Mingsheng Real Estate Development Co., Ltd.	1,780,097	–	2,198,853	214
Other receivables	Wuhan Zhong Yi Investment Construction Company Ltd.	1,525,508	–	1,281,508	–
Other receivables	Qiqihar North MCC Real Estate Co., Ltd.	1,274,853	–	1,269,815	–
Other receivables	Tianjin Tuanbo Urban Development Co., Ltd.	527,337	–	538,098	–
Other receivables	22nd Metallurgical Times Real Estate (Tangshan) Co., Ltd.	437,830	–	–	–
Other receivables	Tianjin Mingjin MCC Real Estate Co., Ltd.	422,589	–	–	–
Other receivables	Baotou MCC Real Estate Co., Ltd.	415,942	407,567	–	–
Other receivables	Jiayang Zhongye Tianshun Construction Co., Ltd.	280,345	–	–	–
Other receivables	Sanya MCC Minglan Development Co., Ltd.	260,051	–	–	–
Other receivables	Lu County Zhongjian Development Municipal Infrastructure Engineering Investment Co., Ltd.	256,917	–	–	–
Other receivables	Others	5,970,231	894,367	13,908,887	1,315,023
Total	/	27,370,140	1,758,491	32,443,936	1,768,189

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For the six months ended 30 June 2020

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(1) Receivables (Continued)

Items	Related parties	30 June 2020		31 December 2019	
		Carrying amount	Provisions for credit losses	Carrying amount	Provisions for credit losses
Prepayments	Minmetals Nonferrous Metals Co., Ltd.	206,826	-	-	-
Prepayments	Minmetals Steel Shanghai Co., Ltd.	65,212	-	-	-
Prepayments	Minmetals Steel Chengdu Co., Ltd.	43,760	-	33,446	-
Prepayments	MCC Capital (Xiangtan) Heavy Industry Equipment Co., Ltd.	41,148	-	34,738	-
Prepayments	Minmetals Iron and Steel Co., Ltd.	16,957	-	-	-
Prepayments	Others	170,236	-	145,364	-
Total	/	544,139	-	213,548	-
Long-term receivables	Suining Kaihong Construction Development Co., Ltd.	382,729	-	346,733	-
Long-term receivables	MCC Ruimu Amperex Technology Limited	341,397	2,851	430,589	3,595
Long-term receivables	Chongqing Beimeng Project Management Limited Liability Company	175,290	-	175,290	-
Long-term receivables	Nanjing Pukou Xingbao Construction Development Co., Ltd.	120,563	7,621	371,609	7,621
Long-term receivables	Nanchong Shunjian Urban Construction Management Co., Ltd.	15,616	251	11,594	187
Long-term receivables	Minmetals International Trust Co., Ltd.	41	1	-	-
Total		1,035,636	10,724	1,335,815	11,403

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For the six months ended 30 June 2020

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables

All amounts in RMB'000

Items	Related parties	30 June 2020	31 December 2019
Accounts payable	Minmetals Steel Lanzhou Co., Ltd.	218,826	63,596
Accounts payable	Minmetals Steel Guangzhou Co., Ltd.	166,606	65,234
Accounts payable	Minmetals Steel Chengdu Co., Ltd.	140,715	227,953
Accounts payable	Minmetals Steel (Wuhan) Limited Company	126,384	41,087
Accounts payable	Minmetals Steel Xi'an Co., Ltd.	116,072	92,589
Accounts payable	The 23rd Metallurgical Construction Group Co., Ltd. of Minmetals	106,305	136,073
Accounts payable	Minmetals Steel Shanghai Co., Ltd.	58,197	70,407
Accounts payable	Minmetals Steel Tianjin Co., Ltd.	54,069	123,288
Accounts payable	Shanghai Yuepu South Concrete Co., Ltd.	51,846	44,022
Accounts payable	Minmetals Nonferrous Metals Trade Co., Ltd.	41,873	48,366
Accounts payable	Others	309,469	360,473
Total	/	1,390,362	1,273,088
Other payables	China Metallurgical Group Corporation	1,902,151	120,650
Other payables	Zhuzhou Smelter Nonferrous Metals Industrial Co., Ltd.	164,430	162,030
Other payables	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	163,768	-
Other payables	Ma'anshan MCC Huaxin Water Environment Treatment Co., Ltd.	126,000	-
Other payables	Minmetals International Engineering Technology Co., Ltd.	105,139	126,193
Other payables	MCC Huafa Public Comprehensive Pipe Gallery Co., Ltd.	94,603	-
Other payables	Zhejiang MCC Investment Management Co., Ltd.	79,877	39,923
Other payables	Baotou MCC Real Estate Co., Ltd.	77,827	77,827
Other payables	Hunan Huangshaping Lead-Zinc Mine	72,552	71,493
Other payables	Tianjin MCC Heyuan Real Estate Co., Ltd.	68,469	68,469
Other payables	First Metallurgical Construction Engineering Xuzhou Co., Ltd.	43,407	-
Other payables	Others	322,465	508,385
Total	/	3,220,688	1,174,970

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For the six months ended 30 June 2020

XII. RELATED PARTIES AND TRANSACTIONS (CONTINUED)

6. Amounts due from/due to related parties (Continued)

(2) Payables (Continued)

Items	Related parties	30 June 2020	31 December 2019
Contract liabilities	Quzhou Baoye Sports Construction and Operation Co., Ltd.	521,437	–
Contract liabilities	Chongqing Yunkai Expressway Co., Ltd.	458,021	–
Contract liabilities	Xichang Anmin City Construction Investment Co., Ltd.	431,992	431,991
Contract liabilities	Shiyan Baoye Urban Construction Co., Ltd.	227,059	–
Contract liabilities	Hangzhou MCC Mingjin Real Estate Development Co., Ltd.	200,000	–
Contract liabilities	Shanxi MCC Kechuang Utility Tunnel Construction and Investment Co., Ltd.	165,162	176,859
Contract liabilities	Tangshan Caofeidian MCC Engineering Construction Co., Ltd.	135,379	135,745
Contract liabilities	Bijie Xinye Municipal Engineering Co., Ltd.	131,436	–
Contract liabilities	MCC Ruimu Ampere Technology Limited	115,670	–
Contract liabilities	Others	1,171,840	1,330,923
Total	/	3,557,996	2,075,518
Long-term borrowings	Minmetals Securities Co., Ltd.	635,919	661,839
Long-term borrowings	China National Foreign Trade Financial & Leasing Co., Ltd.	428,356	529,306
Total	/	1,064,275	1,191,145
Non-current liabilities due within one year	China Metallurgical Group Corporation	378,980	378,980
Non-current liabilities due within one year	China National Foreign Trade Financial & Leasing Co., Ltd.	209,152	204,299
Non-current liabilities due within one year	Minmetals Securities Co., Ltd.	56,419	2,839
Total	/	644,551	586,118

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For the six months ended 30 June 2020

XIII. COMMITMENTS AND CONTINGENCIES

1. Significant Commitments

(1) Capital commitments

As at the balance sheet date, the Group had capital commitments contracted but not recognized in the balance sheet were as follows:

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Buildings, structures and equipments	24,321,611	23,658,372
Intangible assets	4,389,312	4,287,019
Total	28,710,923	27,945,391

2. Significant contingencies at the balance sheet date

(1) Pending litigation or arbitration

As at 30 June 2020, objects of pending litigation or arbitration in which the Group acted as defendant were amounting to RMB3,508,078'000 (as at 31 December 2019: RMB3,661,424'000).

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 2020, management has made provision for pending lawsuits of RMB100,892'000, details of which are set out in Note VII 42.

(2) Financial guarantees given to banks

① Owner's mortgage guarantee

All amounts in RMB'000

Guarantor	Guaranteed amount
Mortgage guarantees (Note)	8,941,451

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.

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For the six months ended 30 June 2020

XIII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Significant contingencies at the balance sheet date (Continued)

(2) Financial guarantees given to banks (Continued)

② Loan guarantee

All amounts in RMB'000

Guarantor	Warrantee	Guarantee amount
China MCC 20 Group Co., Ltd.	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	128,533
MCC Real Estate Group Co., Ltd.	Zhuhai Hengqin Headquarters Building Development Co., Ltd.	199,226

Note: In 2019, Zhuhai Hengqin Headquarters Building Development Co., Ltd. was a subsidiary of the group within the scope of consolidation, In 2020, other shareholders of Zhuhai Hengqin Headquarters Building Development Co., Ltd. revoked their concerted action agreement with the Group, and the Group lost control of them. Zhuhai Hengqin Headquarters Building Development Co., Ltd. became a joint venture of the Group. China Twenty Metallurgical Group Co., Ltd. provided guarantee for the loan of Zhuhai Hengqin Headquarters Building Development Co., Ltd. The actual guarantee amount was 128,533'000, the maximum guaranteed amount was 128,533'000, and the guarantee date was from 4 September 2019 to 4 September 2024; MCC Real Estate Group Co., Ltd. provided guarantee for the loan of Zhuhai Hengqin Headquarters Building Development Co., Ltd. The guarantee amount was 199,226'000, and the maximum guaranteed amount was 930,000'000. The guarantee date was 4 September 2019 to 4 September 2024; Zhuhai Hengqin Headquarters Building Development Co., Ltd. is in good financial condition, and the management expects that there is no major debt default risk.

(3) 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.

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XIV. EVENTS AFTER THE BALANCE SHEET DATE

As of the approval date of this financial report, the Group has not had any major post-balance sheet events.

XV. OTHER SIGNIFICANT ITEMS

1. Segment information

(1) Accounting policies of the segment

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

Operating segment is a component of the Group which satisfied all of the following conditions:

- ① The component is able to generate income, expenses in daily activities;
- ② The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- ③ 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.

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XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment

① Segment information for the six months period ended 30 June 2020 and as at 30 June 2020

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	163,537,270	13,110,589	4,794,479	1,479,442	1,634,707	-	(3,991,294)	180,565,193
Including: Revenue from external customers	160,653,210	12,814,886	4,657,080	1,476,981	963,036	-	-	180,565,193
Revenue between segments	2,884,060	295,703	137,399	2,461	671,671	-	(3,991,294)	-
Operating costs	147,847,781	10,439,747	4,085,989	1,171,729	1,372,622	-	(3,763,081)	161,154,787
Including: External costs	145,127,197	10,202,338	3,948,653	1,159,410	717,189	-	-	161,154,787
Costs between segments	2,720,584	237,409	137,336	12,319	655,433	-	(3,763,081)	-
Operating profit/(loss)	3,617,603	1,848,100	217,016	(219,976)	158,950	(70,803)	(228,212)	5,322,678
Including: Interest income	861,127	512,462	15,694	9,394	226,457	-	(658,004)	967,130
Interest expenses	1,651,815	406,285	90,554	193,908	247,639	-	(658,004)	1,932,197
Gains/(losses) on investments in associates and joint ventures	(126,802)	79,915	-	-	(194)	-	-	(47,081)
Non-operating income	195,207	25,145	7,000	2,197	7,510	-	-	237,059
Non-operating expenses	46,226	6,923	2,580	23	600	-	-	56,352
Total profit/(loss)	3,766,584	1,866,322	221,436	(217,802)	165,860	(70,803)	(228,212)	5,503,385
Income tax expense	561,958	568,494	46,289	327	49,751	-	-	1,226,819
Net profit/(net loss)	3,204,626	1,297,828	175,147	(218,129)	116,109	(70,803)	(228,212)	4,276,566
Assets	383,317,528	117,516,852	18,235,619	18,410,500	62,161,265	6,005,708	(116,934,286)	488,713,186
Including: Long-term equity investments in associates and joint ventures	17,962,869	5,292,386	-	71	10,300	-	-	23,265,626
Non-current assets	41,265,976	13,744,878	3,906,154	12,351,202	23,713,575	-	(17,289,433)	77,692,352
Liabilities	304,190,200	90,721,268	15,417,160	19,961,463	39,858,241	63,801	(100,239,824)	369,972,309
Depreciation and amortization expenses	945,436	71,060	125,280	413,405	75,024	-	-	1,630,205
Impairment losses of assets and impairment of credit losses	(2,336,877)	(10,527)	21,339	(30,379)	5,507	-	-	(2,350,937)
Increase in other non-current assets other than long-term equity investments	1,466,384	910,734	278,970	134,688	182,838	-	-	2,973,614

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XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(2) Summarized financial information of reporting segment (Continued)

② Segment information for the six months period ended 30 June 2019 and as at 31 December 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	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
Gains/(losses) on investments in 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	343,105,005	117,008,146	12,848,828	18,204,783	55,335,941	5,618,595	(93,615,085)	458,506,213
Including: Long-term equity investments in associates and joint ventures	16,985,361	4,837,780	-	70	11,155	-	-	21,834,366
Non-current assets	42,568,751	11,585,792	3,642,958	12,487,880	18,578,943	-	(13,782,274)	75,082,050
Liabilities	272,519,638	90,130,145	10,587,457	18,218,888	41,526,999	71,685	(91,454,107)	341,600,705
Depreciation and amortization expenses	935,393	67,320	135,536	431,580	69,408	-	-	1,639,237
Impairment losses of assets and impairment of credit 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

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For the six months ended 30 June 2020

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (Continued)

(3) Revenue from external customers classified by source of income and non-current assets classified by geographic locations

All amounts in RMB'000

Operating revenues	Amount for the current period	Amount for the prior period
China	171,509,982	146,234,066
Other countries/regions	9,055,211	12,783,313
Total	180,565,193	159,017,379

All amounts in RMB'000

Non-current assets	30 June 2020	31 December 2019
China	66,412,754	64,316,350
Other countries/regions	11,279,598	10,765,700
Total	77,692,352	75,082,050

(4) The dependency on major customers

There is not any external customer the revenue from whom counted 10% or over 10% of the operating revenue of the Group.

2. Net current assets and total assets less current liabilities

(1) Net current assets

All amounts in RMB'000

	30 June 2020	31 December 2019
Current assets	372,051,373	347,435,959
Less: Current liabilities	331,757,706	305,923,537
Net current assets	40,293,667	41,512,422

(2) Total assets less current liabilities

All amounts in RMB'000

	30 June 2020	31 December 2019
Total Assets	488,713,186	458,506,213
Less: Current liabilities	331,757,706	305,923,537
Total assets less current liabilities	156,955,480	152,582,676

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For the six months ended 30 June 2020

XV. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. Earnings per share

(1) *When calculating earnings per share, net profit for the current period attributable to ordinary shareholders*

All amounts in RMB'000

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to shareholders of the Company	3,591,925	3,156,882
Including: Net profit from continuing operations	3,591,925	3,156,882
Less: Net profit belonging to the perpetual bond holders	597,855	420,736
Net profit for the current period attributable to ordinary shareholders	2,994,070	2,736,146

(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

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For the six months ended 30 June 2020

XV. OTHER SIGNIFICANT MATTERS (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	0.14	0.13
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:	/	/
Basic earnings per share	0.14	0.13
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:	/	/
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Aging analysis of accounts receivable

All amounts in RMB'000

Aging	30 June 2020	31 December 2019
Within 1 year	92,946	80,605
1 to 2 years	—	—
2 to 3 years	—	—
3 to 4 years	—	—
4 to 5 years	—	—
Over 5 years	71,546	71,546
Total book value	164,492	152,151
Less: provisions for credit losses	53,252	53,252
Carrying amount	111,240	98,899

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 aging of accounts receivable is calculated based on the date of issuing billing of construction service or date of revenue recognition.

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XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(2) Provision for credit losses of accounts receivable

All amounts in RMB'000

Items	Lifetime expected credit losses (unimpaired)	Lifetime expected credit losses (impaired)	Total
Provisions for credit losses at 31 December 2019	–	53,252	53,252
Reversal for the current period	–	–	–
Provisions for credit losses at 30 June 2020	–	53,252	53,252
Book value of accounts receivable at 30 June 2020	111,240	53,252	164,492

(3) The top 5 largest accounts receivable collected by arrears at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Company	30 June 2020	As a percentage of total accounts receivable (%)
Party 1	Third party	86,012	52.29
Party 2	Third party	46,454	28.24
Party 3	Subsidiary	18,294	11.12
Party 4	Third party	6,798	4.13
Party 5	Third party	3,912	2.38
Total	/	161,470	98.16

(4) As at 30 June 2020, 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 2019: nil).

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For the six months ended 30 June 2020

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Presentation of other receivables

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Interest receivables	4,212,066	3,385,576
Dividends receivable	1,970,485	2,281,350
Other receivables	39,248,235	38,045,679
Total	45,430,786	43,712,605

(2) Interest receivables

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Subsidiaries of the Company	4,555,790	3,726,106
Less: provisions for credit losses	343,724	340,530
Total	4,212,066	3,385,576

(3) Dividends receivable

① Presentation of dividends receivable

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Subsidiaries of the Company	1,970,485	2,281,350
Total	1,970,485	2,281,350

② At 30 June 2020, the closing balance of dividends receivable aged more than one year is RMB863,832'000: (31 December 2019 is RMB525,985'000).

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For the six months ended 30 June 2020

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(4) Other receivables

① Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2020	31 December 2019
Within 1 year	6,701,493	6,430,987
1 to 2 years	11,181,783	12,185,314
2 to 3 years	11,623,605	4,418,134
3 to 4 years	1,464,502	4,112,808
4 to 5 years	1,941,285	2,513,931
Over 5 years	12,630,433	14,679,371
Total book value	45,543,101	44,340,545
Less: Provisions for credit losses	6,294,866	6,294,866
Carrying amount	39,248,235	38,045,679

② Provision of 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 (Non-credit- impaired)	Phase 3 Lifetime expected credit losses (Credit- impaired)	Total
Provision for credit losses at 31 December 2019	-	-	6,294,866	6,294,866
Provision for the current period	-	-	-	-
Provision for credit losses at 30 June 2020	-	-	6,294,866	6,294,866
Book value of other receivables at 30 June 2020	36,101,463	-	9,441,638	45,543,101

③ Other receivables classified by nature

All amounts in RMB'000

Nature of other receivables	30 June 2020	31 December 2019
Subsidiaries of the Company	45,213,639	44,101,785
Guarantees and deposits	152,891	228,919
Others	176,571	9,841
Total	45,543,101	44,340,545

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For the six months ended 30 June 2020

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(4) Other receivables (Continued)

④ The top 5 largest other receivables at the end of the period

All amounts in RMB'000

Name of entity	Relationship with the Company	Nature of other receivables	30 June 2020	Aging	As a percentage of total other receivables (%)
Party 1	Subsidiary	Advances/ internal loan	26,430,259	Over 1 year	58.03
Party 2	Subsidiary	Advances/ internal loan	6,811,966	Over 1 year	14.96
Party 3	Subsidiary	Advances/ internal loan	2,577,777	Over 1 year	5.66
Party 4	Subsidiary	Advances/ internal loan	1,599,763	Over 1 year	3.51
Party 5	Subsidiary	Advances/ internal loan	1,082,200	Over 1 year	2.38
Total	/	/	38,501,965	/	84.54

⑤ As at 30 June 2020, 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 2019: nil).

3. Long-term receivables

(1) Long-term receivables

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Subsidiaries of the Company	2,162,591	2,498,259
Others	2,037	2,037
Total book value	2,164,628	2,500,296
Less: Provisions for credit losses of long-term receivables	145,971	146,529
Total net book value	2,018,657	2,353,767
Including: Long term receivables due within one year, net	1,846,177	1,866,177
Long term receivables due after one year, net	172,480	487,590

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XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term receivables (Continued)

(2) Provision for credit losses for long-term receivables

All amounts in RMB'000

Items	Phase 1	Phase 2	Phase 3	Total
	Future 12-month expected credit losses	Lifetime expected credit losses (Non-credit-impaired)	Lifetime expected credit losses (Credit-impaired)	
Provisions for credit losses at 31 December 2019	-	-	146,529	146,529
Provisions for the current period	-	-	(558)	(558)
Provisions for credit losses at 30 June 2020	-	-	145,971	145,971
Book value of long-term receivables at 30 June 2020	2,018,657	-	145,971	2,164,628

(3) As at 30 June 2020, 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 2019: nil).

4. Long-term equity investments

All amounts in RMB'000

Items	Book value	30 June 2020		Book value	31 December 2019	
		Provision for impairment	Carrying amount		Provision for impairment	Carrying amount
Subsidiaries	89,852,518	175,034	89,677,484	89,537,408	175,034	89,362,374
Joint ventures and associates	519,606	113,146	406,460	504,790	113,146	391,644
Total	90,372,124	288,180	90,083,944	90,042,198	288,180	89,754,018

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XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments (Continued)

(1) Subsidiaries

All amounts in RMB'000

Name of investee	31 December 2019	Increase	Decrease	30 June 2020	Provision for impairment losses for the current period	Provision for impairment at 30 June 2020	Carrying amount at 30 June 2020
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	344,972	-	-	344,972	-	-	344,972
MCC Overseas Ltd.	475,644	-	-	475,644	-	-	475,644
MCC Communication Construction Group Co., Ltd.	9,056,533	-	-	9,056,533	-	-	9,056,533
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.	3,502,378	-	-	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.	3,487,199	-	-	3,487,199	-	-	3,487,199
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
Central Research Institute of Building and Construction Co., Ltd.	2,743,939	315,110	-	3,059,049	-	-	3,059,049
China Huaye Group Co., Ltd.	2,412,037	-	-	2,412,037	-	-	2,412,037
Beijing Metallurgical Equipment Research Design Institute Co., Ltd.	777,923	-	-	777,923	-	-	777,923
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

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XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Long-term equity investments (Continued)

(1) Subsidiaries (Continued)

Name of investee	31 December 2019	Increase	Decrease	30 June 2020	Provision for impairment losses for the current period	Provision for impairment at 30 June 2020	Carrying amount at 30 June 2020
China MCC 17 Group Co., Ltd.	1,755,361	-	-	1,755,361	-	-	1,755,361
China MCC International Economic and Trade Co., Ltd.	69,392	-	-	69,392	-	-	69,392
WISDRI Engineering & Research Incorporation Limited	5,393,412	-	-	5,393,412	-	-	5,393,412
China First Metallurgical Group Co., Ltd.	1,845,761	-	-	1,845,761	-	-	1,845,761
Zhong Ye Chang Tian International Engineering Co., Ltd.	991,130	-	-	991,130	-	-	991,130
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	233,777	-	-	233,777	-	-	233,777
MCC-SFRE Heavy Industry Equipment Co., Ltd.	1,110,635	-	-	1,110,635	-	-	1,110,635
MCC Mining (Western Australia) Pty Ltd.	126,807	-	-	126,807	-	126,807	-
MCC Australia Holding Pty Ltd.	48,227	-	-	48,227	-	48,227	-
MCC Holding (Hong Kong) Corporation Limited	6,485	-	-	6,485	-	-	6,485
MCC Financial Leasing Co., Ltd.	127,500	-	-	127,500	-	-	127,500
MCC Northeast Construction & Development Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Inner Mongolia Construction Investment Co., Ltd.	51,000	-	-	51,000	-	-	51,000
MCC South China Construction Investment Co., Ltd.	91,490	-	-	91,490	-	-	91,490
MCC Rail Transit Co., Ltd.	20,000	-	-	20,000	-	-	20,000
MCC Zhongyuan Construction Investment Co., Ltd.	50,000	-	-	50,000	-	-	50,000
MCC Integrated Pipe Network Technology & Development Co., Ltd.	150,000	-	-	150,000	-	-	150,000
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd. (a)	24,000	-	-	24,000	-	-	24,000
Indirect holding subsidiaries	820,000	-	-	820,000	-	-	820,000
Total	89,537,408	315,110	-	89,852,518	-	175,034	89,677,484

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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 at 31 December 2019	Changes for the current period								Carrying amount at 30 June 2020	Provision for impairment at 30 June 2020
		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	Others		
Beijing Jingxi Travel Industry Investment Fund (limited partnership)	58,898	-	-	1,757	-	-	-	-	-	60,655	-
MCC-Huafa Integrated Pipe Network Co., Ltd.	100,501	-	-	560	-	-	-	-	-	101,061	-
MCC Jianxin Investment Fund Management Co., Ltd.	11,046	-	-	81	-	-	-	-	-	11,127	-
Shenzhen MCC Utility Tunnel Construction and Investment Co., Ltd.	104,657	-	-	755	-	-	-	-	-	105,412	-
Yingtian MCC Xinyin industry development partnership (limited partnership)	116,542	-	-	14,662	-	-	2,999	-	-	128,205	-
MCC Xiangxi Mining Industry Co., Ltd.	-	-	-	-	-	-	-	-	-	-	113,146
Total	391,644	-	-	17,815	-	-	2,999	-	-	406,460	113,146

5. Short-term borrowings

(1) Categories of short-term borrowings

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Credit loans:	43,690,936	28,199,649
RMB	39,072,780	23,591,243
USD	4,445,926	4,381,054
Others	172,230	227,352
Total	43,690,936	28,199,649

(2) As at 30 June 2020, there were no significant short-term borrowings overdue but not yet paid (as at 31 December 2019: nil).

(3) For the current period, the weighted average interest rate of short-term borrowings was 3.31% per annum (as at 31 December 2019: 4.06% per annum).

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For the six months ended 30 June 2020

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6. Other payables

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Amounts due to subsidiaries	7,251,191	14,252,400
Amounts due to MCC	1,500,000	–
External dividends payable	1,312,588	1,023,324
MCC dividends payable	733,749	–
Others	367,609	297,868
Total	11,165,137	15,573,592

7. Non-current liabilities due within one year

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Long-term borrowings due within one year (Note XVI 8)	502,652	9,069
Long-term employee benefits payable due within one year	2,228	2,159
Long-term payables due within one year	378,980	378,980
Bonds payable due within one year	888,872	31,143
Lease liabilities due within one year	21,888	21,381
Total	1,794,620	442,732

8. Long-term borrowings

All amounts in RMB'000

Items	30 June 2020	31 December 2019
Credit loans:	2,252,652	2,759,069
RMB	2,252,652	2,759,069
Total	2,252,652	2,759,069
Less: Long-term borrowings due within one year (Note XVI 7):	502,652	9,069
Long-term borrowings due over one year	1,750,000	2,750,000

For the current period, the weighted average interest rate of long-term borrowings was 4.24% per annum (for the period ended 30 June 2019: 4.53% per annum).

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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

All amounts in RMB'000

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	1,131,817	1,129,935	2,264,878	2,217,721
Other business	15,819	243	-	-
Total	1,147,636	1,130,178	2,264,878	2,217,721

(2) Breakdown of operating revenue

① Classified by industries:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Engineering contracting	1,128,273	1,940,699
Others	3,544	324,179
Total	1,131,817	2,264,878

② Classified by geographic locations:

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
China	3,544	324,179
Other countries/regions	1,128,273	1,940,699
Total	1,131,817	2,264,878

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For the six months ended 30 June 2020

XVI. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9. Presentation of operating revenue and operating costs (Continued)

(3) Information of major customers from which revenue generated accounted for more than 10% of the total revenue

All amounts in RMB'000

Customer Name	Relationship with the Company	Operating revenue	As a percentage of total operating revenue of the Company (%)
Party 1	Third party	270,408	23.56
Party 2	Third party	262,885	22.91
Party 3	Third party	200,294	17.45
Party 4	Third party	160,013	13.94
Total	/	893,600	77.86

(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 2020, 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.

10. Investment income

All amounts in RMB'000

Item	Amount for the current period	Amount for the prior period
Investment incomes under equity method	17,814	1,620
Total	17,814	1,620

11. Impairment losses of credit

All amounts in RMB'000

Item	Amount for the current period	Amount for the prior period
Credit losses	(2,636)	(2,006)
Including: Credit losses of other receivables	(3,194)	(2,288)
Credit losses of long-term receivables	558	282
Total	(2,636)	(2,006)

Financial Statements

For the six months ended 30 June 2020

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 statements

All amounts in RMB'000

Supplementary information	Amount for the current period	Amount for the prior period
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	(13,574)	(245,985)
Add: Credit loss provision	2,636	2,006
Depreciation of fixed assets and right-of-use assets	11,899	11,475
Amortization of intangible assets	908	971
Losses (gains) from disposal of fixed assets, intangible assets and other long-term assets	-	38
Losses on written-off of fixed assets	(402)	757
Financial expenses	823,242	184,885
Gains arising from investments	-	(1,620)
(Increase) decrease in inventories	(24,357)	6
Increase in contract assets	11,429	(385,294)
Decrease in receivables from operating activities	(7,284,339)	202,031
(Decrease) increase in payables from operating activities	6,258,803	633,472
	(213,755)	402,742
2. Net changes in cash and cash equivalents:		
30 June 2020 of cash	2,471,895	2,492,469
Less: 31 December 2019 of cash	2,456,387	2,511,810
	15,508	(19,341)

(3) Cash and cash equivalents

All amounts in RMB'000

Items	30 June 2020	31 December 2019
I. Cash	2,471,895	2,456,387
Including: Cash on hand	2,886	478
Bank deposits without restriction	2,469,009	2,455,909
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 2020	2,471,895	2,456,387

Financial Statements

For the six months ended 30 June 2020

XVII. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss

All amounts in RMB'000

Items	Amount for the current period
Gain or loss on disposal of non-current assets, including the written-down portion for impairment provision	13,478
Government grants (except the government grants closely related to the business of the Company and enjoyed according to unified quota or ration standards)	275,630
Gains from investment costs for acquisition of subsidiaries, associates and joint venture less than sharing portion of the fair value of identifiable net assets of the investees	3,930
Profit or loss arising from changes in fair value of trading financial assets, derivative financial instruments and other financial assets and investment income on disposal of trading financial assets except for those relating to the hedging transactions under the company's normal operating business	18,580
Other non-operating income/(expenses) except the above items	97,345
Impact on income tax	(69,534)
Impact on non-controlling interests	(28,129)
Total	<u>311,300</u>

2. Return on net assets and earnings per share ("EPS")

Profit during the reporting period	Weighted average rate of return on net asset (%)	EPS (RMB)	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	4.06	0.14	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.64	0.13	N/A

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 auditor's 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: 28 August 2020

AMENDMENT ON INFORMATION

Applicable Not Applicable



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