



中天运会计师事务所 (特殊普通合伙)

JONTEN Certified Public Accountant (Limited Liability Partnership)

China Metallurgical Group Corporation
Financial Statements and Report of the Auditors
For the Year ended 31 December 2016

DIRECTORY

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AUDITORS' REPORT

JONTEN[2017]Audit 00863

To the board of directors of China Metallurgical Group Corporation :

We have audited the accompanying financial statements of China Metallurgical Group Corporation, which comprise the balance sheet as at December 31st, 2016 and the income statement, cash flow statement for the year then ended from January 1st, 2016 to December 31st, 2016 and notes to the financial statements.

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements comply with the requirements of the Accounting Standards for Business Enterprises and the Accounting Regulations for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the financial position of the Company as at December 31st, 2016, and the results of operations and cash flows of the Company for the year then ended from January 1 st, 2016 to December 31 st, 2016.

JONTEN Certified Public Accountant
(Limited Liability Partnership)

Beijing China

28 March 2017



Certified Public Accountants

Registered in the People's

Republic China

[Name of CPA1]



[Name of CPA2]



China Metallurgical Group Corporation

Consolidated Balance Sheet

Dec.31st, 2016

(All amounts in RMB Ten Thousand Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Notes	Dec.31st, 2016	Dec.31st, 2015
Current Assets			
Currency Fund	8(1)	4,667,374.14	3,599,276.86
Financial assets measured at fair value and the changes are recorded into the current profits and losses	8(2)	104.36	141,001.10
Derivative Financial Assets	8(3)	871.04	0.00
Notes Receivable	8(4)	1,607,796.29	1,146,620.15
Accounts Receivable	8(5)	6,965,771.24	6,379,061.56
Prepayments	8(6)	1,354,600.35	1,381,707.22
Interest Receivable	8(7)	2,666.57	1,164.44
Dividends Receivable	8(8)	5,385.51	4,517.28
Other Receivables	8(9)	3,383,317.98	3,148,761.75
Inventory	8(10)	12,387,159.29	11,631,237.69
Divided into holding assets for sale		0.00	0.00
Non-current Assets Due Within One Year	8(11)	374,563.55	705,478.11
Other Current Assets	8(12)	151,561.74	23,637.68
Total Current Assets		30,901,172.06	28,162,463.84
Non-current Assets			
Financial Assets Available for Sale	8(13)	270,098.83	172,211.99
Held-to-maturity Investment	8(14)	0.00	2.03
Long Term Accounts Receivable	8(15)	1,127,765.77	788,302.11
Long Term Equity Investment	8(16)	517,030.47	392,199.06
Property for Investment	8(17)	257,792.92	221,123.78
Fixed Assets	8(18)	3,308,841.50	3,338,825.31
Project under Construction	8(19)	384,967.65	365,594.92
Project Material	8(20)	6,907.44	7,369.51
Disposal of Fixed Asset		0.00	0.00
Productive Biological Assets		0.00	0.00
Oil and Gas Assets		0.00	0.00
Invisible Assets	8(21)	1,543,105.56	1,555,346.18
Development Expenditure		0.00	0.00
Goodwill	8(22)	17,305.77	17,373.26
Long Term Deferred Expenses	8(23)	25,340.32	20,888.70
Deferred Income Tax Assets	8(44)	443,426.05	373,348.83
Other Non-current Asset	8(24)	16,697.39	11,000.00
Total Non-current Assets		7,919,279.67	7,263,585.68
TOTAL ASSETS		38,820,451.73	35,426,049.52

Legal representative:

周文清

Person in charge of accounting function:

邵长黄

Head of accounting department:

范万程

China Metallurgical Group Corporation

Consolidated Balance Sheet(Continued)

Dec.31st, 2016

(All amounts in RMB Ten Thousand Yuan unless otherwise stated)

[English translation for reference only]

LIABILITIES AND OWNERSHIP INTEREST	Notes	Dec.31st, 2016	Dec.31st, 2015
Current Liabilities			
Short-term Borrowing	8(26)	5,938,590.63	4,137,587.23
Financial Liabilities measured at fair value and the changes are recorded into the current profits and losses		0.00	0.00
Derivative Financial Liabilities	8(27)	1,744.29	1,433.86
Notes Payable	8(28)	1,763,878.80	1,565,353.73
Accounts Payable	8(29)	11,244,927.92	9,362,196.39
Advance Receipt	8(30)	3,339,480.88	3,016,780.15
Payroll Payable	8(31)	192,971.10	208,468.02
Tax Payable	8(32)	319,407.46	613,794.49
Interest Payable	8(33)	57,376.75	83,871.59
Dividends Payable	8(34)	83,249.57	79,104.16
Other Payable Items	8(35)	1,754,602.00	1,630,066.94
Non-current Liabilities Due within One Year	8(36)	1,514,025.26	1,581,785.19
Other Current Liabilities	8(37)	400,161.89	2,013,139.86
Total Current Liabilities		26,610,416.55	24,293,581.61
Non-current Liabilities			
Long-term Borrowing	8(38)	2,503,881.98	1,925,993.05
Payable Bonds	8(39)	665,400.00	1,197,248.61
Long-term Payable	8(40)	84,389.78	66,051.68
Long-term Payroll Payable	8(41)	397,807.47	431,607.63
Specific Payable	8(42)	2,452.47	2,485.30
Anticipation Liabilities	8(43)	214,336.30	181,281.80
Deferred Income	8(45)	146,652.23	154,093.42
Deferred Income Tax Liabilities	8(44)	21,240.13	32,530.50
Other Non-current Liabilities		0.00	0.00
Total Non-current Liabilities		4,036,160.36	3,991,291.99
Total Liabilities		30,646,576.91	28,284,873.60
Ownership Interest			
Paid-up Capital	8(46)	1,033,855.59	1,033,855.59
Other Equity Instruments	8(47)	395,491.80	295,500.00
Capital Reserve	8(48)	2,160,704.74	2,067,550.02
Other Comprehensive Income	8(59)	12,134.00	12,343.43
Of Which: Converted Difference in foreign Currency Statements		-3,971.85	-6,190.98
Special Reserves	8(50)	805.49	805.49
Surplus Reserves		0.00	0.00
Undistributed Profits	8(51)	-658,863.00	-863,493.22
Equity in Total that Belongs to the Owner of the Parent Company		2,944,128.62	2,546,561.31
Minority Equity		5,229,746.20	4,594,614.61
Owner's Equity in Total		8,173,874.82	7,141,175.92
TOTAL LIABILITIES AND OWNERS' EQUITY		38,820,451.73	35,426,049.52

The Notes of Financial Statements in the end is a part of financial statements.

Legal representative:

周文清

Person in charge of accounting function:

邵长贵

Head of accounting department:

范万松

China Metallurgical Group Corporation

Consolidated Profit Statement
Fiscal Year 2016

(All amounts in RMB Ten Thousand Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	Fiscal Year 2016	Fiscal Year 2015
I Gross Revenue	8(52)	22,483,334.89	22,192,950.40
Of Which: Operating Revenue	8(52)	22,483,334.89	22,192,950.40
II Total Operating Cost		21,873,601.37	21,811,008.85
Of Which: Operating Costs	8(52)	19,595,254.70	19,267,624.21
Business Tax and Extra	8(53)	337,989.70	565,125.74
Selling Expenses	8(54)	171,195.05	156,763.28
Management Expenses	8(55)	1,096,945.94	1,049,156.46
Financial Expenses	8(56)	258,826.16	293,911.05
Loss from Asset Devaluation	8(57)	413,389.82	478,428.11
Add: Income from Changes in Fair Value	8(58)	-321.59	-3,044.55
Income from Investment	8(69)	44,133.39	175,656.80
Of which: Income from Consortium and Cooperative Enterprise		32,755.05	-15,398.53
III Operating Profit		653,545.32	554,553.80
Add: Non-business Income	8(60)	134,689.17	147,381.58
Minus: Non-business Expenditure	8(60)	69,941.77	15,082.44
Of which: Loss from Disposing Non-current Asset		9,232.65	7,295.29
IV Total Amount of Profit		718,292.72	686,852.94
Minus: Income Tax Expense	8(61)	160,225.06	219,652.47
V Net Profit		558,067.66	467,200.47
Net Profit Belonged to the Owner of the Parent Company		234,021.05	241,201.73
Minority Equity and Loss		324,046.61	225,998.74
VI the AT net of other Comprehensive Income	8(62)	3,724.89	-39,110.79
(i) Other comprehensive income that can not be classified into profit and loss in the future		-694.69	-41,831.88
Of which :1.The change of net liabilities and net assets of recalculation of defined benefit plan		-694.69	-41,831.88
2.Other comprehensive income that can not be classified into profit and loss in the future for using the equity method		0.00	0.00
(ii) Other comprehensive income that can be classied into profit and loss in the future		4,419.58	2,721.09
Of which :1.Share of other comprehensive income of investees accounted for using the equity method		0.00	0.00
2.The amount of available income (loss) generated from available-for-sale financial assets		-3,443.75	2,996.98
3.The income(loss) of Held-to-maturity Investment reclassified to Financial Assets Available for Sale		0.00	0.00
4.The effective part of Gains/(losses) from cash flow hedging instruments		0.00	0.00
5.Exchange differences arising from translating foreign operations		7,863.33	-275.89
VII The Total Comprehensive Income		561,792.55	428,089.68
Total Comprehensive Income Belonged to the Owner of the Parent Company		233,811.62	216,100.20
Total Comprehensive Income Belonged to Minority Shareholders		327,980.93	211,989.48
VIII Earnings Per Share			
Basic Earnings Per Share			
Diluted Earnings Per Share			

The Notes of Financial Statements in the end is a part of financial statements.

Legal representative:

Person in charge of accounting function:

Head of accounting department:

国文清

范万程

China Metallurgical Group Corporation

Consolidated Statement of Cash Flow Fiscal Year 2016

(All amounts in RMB Ten Thousand Yuan unless otherwise stated)
[English translation for reference only]

ITEM	Notes	Fiscal Year 2016	Fiscal Year 2015
I. Cash Flow Generated from Operating Activities			
Cash Generated from Sales of Goods and Rendering of Services		22,313,505.64	22,827,890.07
Refunds of Taxes		46,193.74	69,235.96
Cash Generated from Other Revelant Operating Activities	8(63)	310,294.59	285,179.99
Subtotal of Cash Inflows Generated from Operating Activities		22,669,993.97	23,182,306.02
Cash Paid for Purchase of Goods and Receiving Services		16,879,478.05	17,751,736.64
Cash Paid to Employees and Paid for Employees		1,812,506.16	1,821,900.01
Payments of Taxes		1,060,215.52	1,169,198.88
Cash Paid for Other Revelant Operating Activities	8(63)	1,138,976.36	896,009.19
Subtotal of Cash Outflows Generated from Operating Activities		20,891,176.09	21,638,844.72
Net Cash Flow Generated from Operating Activities		1,778,817.88	1,543,461.30
II. Cash Flow Generated from Investing Activities			
Cash Received from Recovery of Investments		179,251.90	21,398.13
Cash Generated from Receiving Investment Income		51,902.65	55,143.39
Net Cash Generated from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets		31,277.55	38,922.87
Net Cash Generated from Disposal of Subsidiaries and Other Business Entity		3,312.94	350.00
Cash Received from Other Revelant Investing Activities		43,555.61	20,817.89
Subtotal of Cash Inflows Generated from Investing Activities		309,300.65	136,632.28
Cash Paid for Fixed Assets, Intangible Assets and Other Long-term Assets		325,169.92	340,378.51
Cash Paid for Investing Activities		268,912.78	189,798.29
Net Cash Received from Subsidiaries and Other Business Entity		0.00	313.63
Cash Paid for Other Revelant Investing Activities		44,624.53	139,305.29
Subtotal of Cash Outflows Generated from Investing Activities		638,707.23	669,795.72
Net Cash Flow Generated from Investing Activities		-329,406.58	-533,163.44
III. Cash Flow Generated from Financing Activities			
Cash Received from Attracting Investment		915,580.09	1,012,577.83
Among Which: Cash Received from Attracting Minority Shareholders' Investment from Subsidiaries		515,588.29	24,082.83
Cash Received from Borrowings		10,783,899.83	10,880,400.00
Cash Received from Other Revelant Financing Activities		23,930.00	0.00
Subtotal of Cash Inflows Generated from Financing Activities		11,723,409.92	11,892,977.83
Cash Paid for Repaying Debts		11,003,048.32	12,141,484.30
Cash Paid for Distribution of Dividends, Profit and Payment of Interest		770,920.49	924,385.25
Among Which: Cash Paid to Minority Shareholders of Dividends and Profit of Subsidiaries		96,270.50	9,425.05
Cash Paid for Other Revelant Financing Activities		455,674.40	41,213.20
Subtotal of Cash Outflows Generated from Financing Activities		12,229,643.21	13,107,082.75
Net Cash Flow Generated from Financing Activities		-506,233.29	-1,214,104.92
IV. Influences to Cash and Cash Equivalents Due to Changes of Exchange Rate		20,633.44	13,892.48
V. Net Increase of Cash and Cash Equivalents		963,811.45	-189,914.58
Add: Cash at the Beginning of the Year and Balance of Cash Equivalents		3,074,208.05	3,264,122.63
VI. Cash at the End of the Year and Balance of Cash Equivalents		4,038,019.50	3,074,208.05

The Notes of Financial Statements in the end is a part of financial statements.

Legal representative:

Person in charge of accounting function:

Head of accounting department:

国文清 印长贵

范万松

China Metallurgical Group Corporation

Combination of Statement of Change in Equity
Fiscal Year 2016

(All amounts in RMB Ten Thousand Yuan unless otherwise stated)

[English translation for reference only]

Owners' Equity Attributable to Parent Company

	Paid-in Capital	Other Equity Instruments	Capital Reserve	Other Comprehensive Income	Special Reserve	Surplus Reserve	Undistributed Profit	Others	Minority Interests	Total Owners' Equity
I Balance on Dec.31st, 2015	1,033,855.59	295,500.00	2,067,550.02	12,343.43	805.49	0.00	-863,493.22	0.00	4,594,614.61	7,141,175.92
Add: Changes in Accounting Policies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Correction of Prior Period Errors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II Balance on Jan.1st, 2016	1,033,855.59	295,500.00	2,067,550.02	12,343.43	805.49	0.00	-863,493.22	0.00	4,594,614.61	7,141,175.92
III Change Amount of Fiscal Year 2016	0.00	99,991.80	93,154.72	-209.43	0.00	0.00	204,630.22	0.00	635,131.59	1,032,698.90
(i) The Total Comprehensive Income	0.00	0.00	0.00	-209.43	0.00	0.00	234,021.05	0.00	327,980.93	561,792.55
(ii) Investment by owners and reduction of capital	0.00	99,991.80	93,154.72	0.00	0.00	0.00	0.00	0.00	403,421.16	596,567.68
1.Capital invested by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	515,588.29	515,588.29
2.Capital invested by owners of other equity instruments	0.00	99,991.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	99,991.80
3.Share-based payment included owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.Others	0.00	0.00	93,154.72	0.00	0.00	0.00	0.00	0.00	-112,167.13	-19,012.41
(iii) Extraction and use of special reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Extraction of Special Reserve	0.00	0.00	0.00	0.00	145,552.82	0.00	0.00	0.00	81,235.61	226,788.43
2. Use of Special Reserve	0.00	0.00	0.00	0.00	-145,552.82	0.00	0.00	0.00	-81,235.61	-226,788.43
(v) Distribution of Profits	0.00	0.00	0.00	0.00	0.00	0.00	-29,390.83	0.00	-96,270.50	-125,661.33
1.Withdrawal Surplus Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.Withdraw general risk preparation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.Distribution to Owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-96,270.50	-96,270.50
4.Others	0.00	0.00	0.00	0.00	0.00	0.00	-29,390.83	0.00	0.00	-29,390.83
(iv) Internal Transfer of Owner's Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital Reserve Converting to Paid-in Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Surplus Reserve Converting to Paid-in Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Surplus Reserve Making up the Losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. The change of carried down net liabilities and net assets of recalculated defined benefit plans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV Balance on Dec.31st, 2016	1,033,855.59	395,491.80	2,160,704.74	12,134.00	805.49	0.00	-658,863.00	0.00	5,229,746.20	8,173,874.82

Legal representative:

周文清

Person in charge of accounting function:

邱长贵

Head of accounting department:

范万松

China Metallurgical Group Corporation

Combination of Statement of Change in Equity
Fiscal Year 2015

(All amounts in RMB Ten Thousand Yuan unless otherwise stated)

[English translation for reference only]

Owners' Equity Attributable to Parent Company

	Paid-in Capital	Other Equity Instruments	Capital Reserve	Other Comprehensive Income	Special Reserve	Surplus Reserve	Undistributed Profit	Others	Minority Interests	Total Owners' Equity
I Balance on Dec.31st, 2014	1,033,855.59	295,500.00	2,064,310.59	37,444.96	805.49	0.00	-1,086,724.95	0.00	3,496,690.92	5,841,882.60
Add: Changes in Accounting Policies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Correction of Prior Period Errors	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II Balance on Jan.1st, 2015	1,033,855.59	295,500.00	2,064,310.59	37,444.96	805.49	0.00	-1,086,724.95	0.00	3,496,690.92	5,841,882.60
III Change Amount of Fiscal Year 2015	0.00	0.00	3,239.43	-25,101.53	0.00	0.00	223,231.73	0.00	1,097,923.69	1,299,293.32
(i) The Total Comprehensive Income	0.00	0.00	0.00	-25,101.53	0.00	0.00	241,201.73	0.00	211,989.48	428,089.68
(ii) Investment by owners and reduction of capital	0.00	0.00	3,239.43	0.00	0.00	0.00	0.00	0.00	1,004,177.59	1,007,417.02
1.Capital invested by owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	24,082.82	24,082.82
2.Capital invested by owners of other equity instruments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	988,495.00	988,495.00
3.Share-based payment included owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4.Others	0.00	0.00	3,239.43	0.00	0.00	0.00	0.00	0.00	-8,400.23	-5,160.80
(iii) Extraction and use of special reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Extraction of Special Reserve	0.00	0.00	0.00	0.00	151,801.94	0.00	0.00	0.00	17,177.69	168,979.63
2. Use of Special Reserve	0.00	0.00	0.00	0.00	-151,801.94	0.00	0.00	0.00	-17,177.69	-168,979.63
(v) Distribution of Profits	0.00	0.00	0.00	0.00	0.00	0.00	-17,970.00	0.00	-118,243.38	-136,213.38
1.Withdrawal Surplus Reserve	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.Withdraw general risk preparation	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.Distribution to Owners	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-118,243.38	-118,243.38
4.Others	0.00	0.00	0.00	0.00	0.00	0.00	-17,970.00	0.00	0.00	-17,970.00
(iv) Internal Transfer of Owner's Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital Reserve Converting to Paid-in Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Surplus Reserve Converting to Paid-in Capital	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3. Surplus Reserve Making up the Losses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. The change of carried down net liabilities and net assets of recalculated defined benefit plans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5. Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
IV Balance on Dec.31st, 2015	1,033,855.59	295,500.00	2,067,550.02	12,343.43	805.49	0.00	-863,493.22	0.00	4,594,614.61	7,141,175.92

Legal representative:

周文清

Person in charge of accounting function:

邱长贵

Head of accounting department:

范万松

1 General information

China Metallurgical Construction Group Corporation(hereafter referred to as “MCC”), the predecessor of China Metallurgical Group Corporation, was a wholly state-owned enterprise incorporated in Beijing in 1982. On 8 May 2006, China Metallurgical Construction Group Corporation was renamed as China Metallurgical Group Corporation. On 27 April 2009, upon the approval of the State-owned Assets Supervision and Administration Commission (hereafter referred to as “SASAC”), the Chinese name of China Metallurgical Group Corporation was renamed as China Metallurgical Construction Group Corporation (hereafter referred to as “the Company”). The Company’s business license registration number is 100000000000942, its legal representative is GuoWenqing, and its registered capital is RMB 853,855.59 ten thousand Yuan. The Company’s registered office is at No. 28 ShuguangXili, Chaoyang District, Beijing.

On December 8,2015, by the approval of SASAC, MCC was merged into China Minmetals Corporation by strategic reorganization. The company's ultimate controlling party is still the state owned assets supervision and Administration Commission of the state council.

The management structure of the Company is board of directors.

The Company's organisation structure is led by its president and executive director under the direction of its Board of Directors. The Company has 3subsidiaries comprises 1 wholly-owned subsidiaries, 2 partially-owned subsidiary.

The industries involved in the Company and its subsidiaries (hereinafter referred to as “the Group”): as an international comprehensive Group of science, industry and trade, it engages in multiple specialties and industries, including EPC general contract project, resource development, paper industry, technical equipment manufacturing and Real Estate development, as well as their related services.

Business scope of the Group approved covers all kinds of EPC both domestic and overseas; various engineering technical advisory services and engineering equipment lease; new material, new process, technological development for new products, technical services, exchange of know-how and transfer of technology related to engineering construction; development, manufacture and marketing of the equipment required by metallurgical industry; Real Estate development and management; bidding agency; assuming engineering consultation, investigation, design and equipment lease of overseas’ various industries and civil building; import and export business; sale, procurement service, consignment sale of mechanical and electric products, sedans, building materials, instruments and meters, as well as hardware and electrical equipment; architectural and electromechanical equipment installation and its related technical research, planning survey, design, supervision and service; development and sale of the raw material for papermaking and paper products; resource development, processing and utilization of metallic mineral products and the related services.

The Group’s main operating segments are as follows: engineering and construction, property development, equipment manufacturing and resources development.

2 Basis of preparation

The financial statements was compiled in accordance with the accounting standard for business enterprises and their application guides, explanation issued by Ministry of Finance and other related provisions(as ASBE).

The Group had evaluated 12 months from 31, December, 2016, not found significant suspect matters could influenced sustainable operation ability. Therefore, the basis of compilation of consolidated financial statement was sustainable operation ability hypothesis.

3 Statement of compliance with the Accounting Standards for Business Enterprises

The consolidated financial statements of the Group for the year ended 31 December 2016 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated financial position of the Group as of 31 December 2016 and of its consolidated operating results, consolidated cash flows and other information for the year then ended.

4 Summary of Significant accounting policies and accounting estimates

(1) Accounting period

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Operating cycle

Operating cycle refers to the date from the purchase of assets for processing to the realization of cash or cash equivalents. Operating cycle of the Group's infrastructure construction and Real Estate development business is more than a year as its long project construction phase and warranty period of infrastructure, and others is 12 months.

(3) Recording currency

The recording currency of the Company and its domestic subsidiaries is Renminbi ("RMB"). Items included in the financial statements of its subsidiaries abroad are measured using the currency of the primary economic environment in which the entity operates. The financial statements are translated and presented in RMB. The currency used in the Company's financial statements is RMB.

(4) Accountant arrangement method of business combination of under the common control and not under the common control

(a) Common control business combination

That combining enterprise was under control of one same party or multiple parties before and after the merger and the control is not temporary was deemed as a business combination under the same control. In a common control combination, assets and liabilities are transferred at book values. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired is included in equity to adjust capital reserve. Retained earnings should be adjusted when capital reserve is insufficient to offset. Acquisition related costs are expensed as incurred. Costs of issuing equity or debt for a business combination should be included in the initial recognition of equity or debt.

4 Summary of Significant accounting policies and accounting estimates (Continued)

- (4) Accountant arrangement method of business combination of under the common control and not under the common control(Continued)

- (b) Business combination other than common control combination

That combining enterprise was not under control of one same party or multiple parties before and after the merger and the control is not temporary was deemed as a business combination not under the same control.

Combined cost is fair value of assets, liabilities occurred or burdened, equity instruments, buyers intend to obtain the right of control of acquiree. Business combination which was not under the common control was implemented step-by-step through multiple transactions, the combination costs includes the payment of consideration on the acquisition date and fair value of stock rights of the acquireeholded originally on the acquisition date. That the stock rights of the s acquiree holed before the acquisition date would be remeasurement in accordance with the fair value of the acquisition date, the different between fair values and book values account into investment income of the year; Other comprehensive income of the stock rights of the seller holed before the acquisition date account into investment income of the year.

The agency fees including auditing, legal service, evaluation, consultationand related management fees was recorded in present profit when occurred corporation combination. The transaction fees of issuing equity liabilities or liabilities bonds,was recorded in original confirmation amount.

Identifiable assets, liabilities and contingent liabilities meeting the recognition criteria and obtained from the merger were measured at fair value on the acquisition date. If the combination costs was more than the fair value of identifiable net assets obtained from mergers and acquisitions, the balance should be deemed as goodwill as an asset and are recorded at cost initially. If the combination costs was less than the fair value of identifiable net assets that obtained from mergers and acquisitions, all related items includes fair value of identifiable assets, liabilities and contingent liabilities and combined cost would be remeasurement, if did, the balance should be accounted into current profit and loss.

The goodwill occurred by corporation combination was separately presented in combined financial statements,and measured by cost minus accumulated depreciation reserve.

- (5) Preparation of consolidated financial statements

Merge scope should be determined on the basis of control. Control refers to the company has power over the investee, by participating in the relevant activities of the investors and have variable returns, and ability to use power to influence its return amount of investee.

For the Group's subsidiaries, it's operating results and cash flow before disposal date (date of loss of control of) has been included in the consolidated income statement and consolidated cash flow statements.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(5) Preparation of consolidated financial statements(Continued)

For the subsidiary which was achieved through a business combination of not under the common control enterprise, it's operating results and cash flow from acquisition date (date of acquisition of control of) has been included in the consolidated income statement and consolidated cash flow statements.

For the subsidiary which was achieved through a business combination of under the common control enterprise, no matter the business combination occurred at any point during the reporting period, it should bring into this company consolidation scope from the date of its controlled by the final control party .

In preparing the consolidated financial statements, when the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All Significant inter-Group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to Company are recognized as minority interests and presented separately in the consolidated financial statements within equity and net profits respectively.

In the consolidated financial statements, if the minority shareholders of subsidiary share a current loss larger than the beginning balance during the period, the remaining balance should be offset against the minority interest.

The transactions which purchase the minority stock rights of subsidiaries or deal with partial stock rights but could still control, would be as equity ones, and adjust the book value between parent company equity and minority shareholders to reflect the change in the equity of subsidiaries. The difference section between the adjustment of minority shareholders and the fair value pay/receive consideration could adjust the capital reserve, if not enough, adjust the retained earnings.

Losing the control of the former subsidiaries because of dealing with partial or other reasons, the rest stock equity should be recalculated according to the fair value at the losing date. The difference section that the consideration of dealing with stock rights adds rest fair value of stock rights, minus the net assets which calculates continuously from the buying date according to the raw equity ratio, should be the investment profits in losing year. The other general profits related the former subsidiaries equity investment should be the investment profits in losing year.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(6) The classification of joint venture arrangement and common management accounting methods

The joint venture arrangement refers to an arrangement controlled by two or more than two parties jointly. Common control refers to common control to arrangements in accordance with the relevant agreement, and makes a decision for the arrangement after got the consensus of all parties sharing the control.

The Group classifies the joint venture arrangement according to the rights enjoyed and obligations. The joint venture arrangement is divided into joint management and joint ventures.

The joint venture refers to the joint venture arrangement in which the joint party only enjoy the rights for the appointed net assets. The Group using the equity method accounting for a long-term equity investment of the joint venture.

Common management refers to the common management arrangement in which the joint party owns the related assets and takes the related liabilities of the arrangement. The Group confirms the individual assets and the co-possessing assets in accordance with owns share; confirms the individual debt and co-possessing debt in accordance with owns share; confirms revenueselling common business output of the Group owned; confirms income selling common business output of the Group share; confirms the costs of the Group alone and the cost occurred from common management according to Group's share according to common management.

The Group accounts confirmed the related to the common management's assets, liabilities, incomes and expenses in accordance with the applicable to the provisions of the specific assets, liabilities, incomes and expenses.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(7) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, call deposits with banks and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(8) Foreign currency operations and foreign currency statement translation

(a) Foreign currency operations

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange difference arising from the spot exchange rates on the balance sheet or difference arising from prior balance sheet, except for: (i) the exchange difference of foreign currency borrowings which is accord with capitalization would be included in the related cost; (ii) the exchange difference of book value of financial items available for sale except cost could be as other general profits, others should be as the profits or loss in period.

When preparing of consolidated financial statements was involved in overseas business, if there would be foreigncurrency monetary Items could influence in reality in overseas operation, the difference part of exchange caused by exchange rate movement accountsinto other comprehensive income; if disposal, accounts into current profit.

The foreign currency non-monetary items measured at the historical cost measured the amount of functional currency at the spot exchange rate on deal date. The foreign currency non-monetary items measured at the fair value measured the amount of functional currency at the spot exchange rate on the fair value date, the difference between corrected amount of functional currency and original bookkeeping base currency would be deemed as fair value variation, and accounted into other comprehensive income of current profit and loss.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(8) Foreign currency operations and foreign currency statement translation(Continued)

(b) Translation of foreign currency financial statements

The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the owners' equity items, the items other than "undistributed profits" are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates or its approximate ones of the transaction period; Early undistributed profits were equal with corrected year-end profits of undistributed of the previous year. The year-end undistributed profits calculated on each project of educed profit distribution. The difference generated from the conversion of foreign currency statements convert identified as other comprehensive income.

Cash flow of overseas business project was amortized according to the spot exchange of the date or its approximate exchange rates. Affected amount to cash caused by exchange rate change was presented in the statement of cash flows separately.

The amount of beginning and the last year should be listed according to the after-converted amount of financial balance sheet of last year.

Translation reserve listed in other comprehensive income in balance sheet and belong to the parent company shareholders' equity relevant overseas business would be shift to current profit and loss when treatment of all shareholders' equity of this Group in overseas business or lost control due to disposal of part of the equity investment or other reasons for overseas business.

When the treatment of part of the equity investment or other reasons resulting in a loss of rights and interests of overseas business scale but don't lose control of overseas business, the convert difference of foreign currency statements related to the disposal part of overseas business would be relegated to minority shareholders rights and interests, not into the profits and losses of the current period. The convert difference of foreign currency statements related to the overseas business would be shift into current profit and loss according to the proportion of the transferred of the disposal when treatment part was affiliated enterprises or joint ventures.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets should be classified into below categories when they are initially recognized: Financial assets at fair value through profit or loss, loans and receivables, financial assets available for sale and investments that are held to maturity. Classification of financial assets depends on the Group's intention and ability to hold the financial assets.

-Financial assets measured at fair value and the changes are recorded into the current profits and losses

Financial assets that measured at fair value and the changes are recorded into the current profits and losses include transactional financial assets and financial assets designated as at fair value and whose fluctuations are included in the current profits and losses. Financial assets of the Group that measured at fair value and the changes are recorded into the current profits and losses are tradable financial assets.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(i) Classification of financial assets (Continued)

- Financial assets measured at fair value and the changes are recorded into the current profits and losses(Continued)

Transactional financial assets refer to financial assets meet one of the following condition (i) the purpose of achieving the financial asset was mainly for sale in the near future; (ii) Belong to part of centrally manage identifiable combination of financial instruments at the initial recognition time, and have objective evidence that the Group management it by way of short-term profit for the portfolio in the near future; (iii) Belong to derivatives, but excepts the specified and the derivatives of effective hedging tool, the derivatives of the financial guarantee contract and the derivatives that has no offer in the active market and its fair value couldnot be reliably measured and must be hooked with by delivering the equity instruments investment.

-Loans and receivables

Loans and accountsreceivable refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the amount is fixed or determinable. Loans and receivables of the Group includes monetary capital, bill receivable, debt receivable, interest receivable, dividends receivable,non-current assets due within one year, and long-term receivable.

-Available-for-sale financial assets

Financial assets available for sale including the non-derivative financial assets which are designated available for sale at initial confirmation, and the financial assets loans and receivables, held-to-maturity investment outside the financial assets that measured at the fair value and whose fluctuations are included in the current profits and losses. Available-for-sale financial assets are included in other current assets on the balance sheet if management intends to dispose of them within 12 months of the balance sheet date.

-Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities of over 12 months when the investments were made but are due within 12 months at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months when the investments were made are included in other current assets.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Recognition and measurement

Financial assets are recognized at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognized in profit or loss for the current year. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value could not be reliably measured. Loans and receivables, held-to-maturity investments are measured at amortised cost using the effective interest method.

The fair value changing of Financial assets measured at fair value and the changes are recorded into the current profits and losses was recognized as income from changes in fair value; the interests or cash dividends within holding period and loss on disposal was recognized as income.

Gain or loss arising from change in fair value of available-for-sale financial assets is recognized directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of the monetary financial assets. When such financial assets are derecognized, the cumulative gain or loss previously recognized directly into equity is recycled into profit or loss for the current year. Interests on available-for-sale investments in debt instruments calculated using the effective interest method during the year in which such investments are held and cash dividends declared by the investee on available-for-sale investments in equity instruments are recognized as investment income, which is recognized in profit or loss for the year.

Loans and receivables, held-to-maturity investments adopt the effective interest rate method, measured according to the amortized cost for the follow-up measurement, it's profit or loss at the time of termination of recognition, impairment or amortization included in the current profits and losses.

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group should determine the amount of impairment loss. The objective evidence indicating the impairment loss of financial asset refers to the matters which actually happen after the initial recognition of the financial asset, and has an influence on the expected future cash flow; furthermore, the reliable measurement could be conducted by the Group towards the influence.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

Objective evidence of financial asset impairment include the following all kinds of matters which could be observed:

- A serious financial difficulty occurs to the issuer or debtor;
- The debtor breaches any of the contractual stipulations, for example, fails to payor delays the payment of interests or the principal, etc;
- The Group considering factors of economy or law, make concessions to the financial difficulties debtor;
- The debtor is likely to fail or to other financial restructuring;
- The financial assets could not continue to trade in the active market due to the issuer of major financial difficulties;
- Unable to identify whether a set of financial assets in an asset's cash flow is reduced, but according to public data of the overall evaluation we discovered that financial assets of the Group since the initial confirmation of the expected future cash flow have been cut and could be measured, include:
 - ① Pay ability of debtor of financial assets is gradually deteriorated.
 - ② The countries or regional economic of debtor appear the condition that could lead to this Group of financial assets would be unable to pay;
- Technology, market, economic or legal environment of issuer of equity instruments has significant adverse changes, that may leads the investors not be able to recover the investment costs.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

- The fair value of the equity instrument investment drops significantly or not contemporarily means in the balance sheet date, the fair value of an equity instrument investment is more than 50% (including 50%) below than its initial investment cost, or less than its initial investment cost lasts more than 12 months (12 months included);
- Other objective evidences showing the impairment of the financial asset.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, but the balance amount of financial assets recovered impairment loss should be less than the amortized cost of the financial assets of non-accrued impairment loss in recover day.

The Group would make impairment test separately to the significant amount of individual financial assets; insignificant amount of individual financial assets, or financial assets combination with similar credit risk characteristics could separately be tested. There was a separate test on non-impairment financial assets (significant amount of individual and insignificant amount of individual financial assets), including the test in financial assets with similar credit risk characteristics. Confirmed the loss of individual financial assets, it should not be included test on financial assets combination with similar credit risk characteristics.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

If there is objective evidence that an impairment loss occurred on an available-for-sale financial asset, the cumulative loss arising from the decline in fair value that had been recognized directly in equity is removed from equity and recognized as an impairment loss in profit or loss. The accumulated loss is the difference part, which initial cost minus redeemed principal and amortized amount, current fair value, formerly impairment loss in profit. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognized, if in a subsequent period, its fair value increases and the increase could be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the previously recognized impairment loss is reversed and recognized in profit or loss for the current year. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognized, the increase in its fair value in a subsequent period is recognized in other comprehensive profit directly.

(iv) Cessation of financial assets

If a financial assets meets any of the following requirements, it should not be recognized: ① If the contractual rights for collecting the cash flow of the said financial asset are terminated; ② If the financial assets is transferred and the Group has transferred nearly all of the risks and rewards relating to the ownership of the financial assets to the transferee; ③ If the financial assets is transferred and the Group waive its control over the financial assets though it does not transfer or retain nearly all of the risks and rewards relating to the ownership of the financial assets.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Cessation of financial assets

If the Group has kept being transferred financial asset ownership on almost all the risks and rewards, continues to confirm the financial asset, and amount achieved would be identified as a pledge loan at the same.

If the recognition of a financial asset ceased, the difference between the carrying amount and the sum of the consideration received and any cumulative gains or losses that had been recognized directly in other comprehensive profit is included in the profit or loss.

(b) Financial liabilities

(i) Classification, recognition and measurement of financial liabilities

The Group's divided the issued financial instruments into financial liability or equity instrument according to the arrangement essence of the financial instrument contract and the definition of the financial liabilities and equity instruments. Financial liabilities should be classified into the following categories when they are initially recognized: financial liabilities at fair value through profit or loss and other financial liabilities.

- Financial Liabilities measured at fair value and the changes are recorded into the current profits and losses

Financial liabilities at fair value through profit or loss Includes financial liabilities available for sale and financial liabilities measured at fair value and the changes are recorded into the current profits and losses. The Group recognizes financial liabilities measured at fair value and the changes are recorded into the current profits and losses as financial liabilities measured at fair value.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(b) Financial liabilities (Continued)

(i) Classification, recognition and measurement of financial liabilities (Continued)

Financial liabilities available for sale, which satisfies any of the following conditions, ① the purpose of undertaking the financial liabilities would buy-back recently; ② as part of Identifiable financial instruments combination in central management in initial recognition, and there could be an objective evidence shows that the Group could management the combination by short-term gaining profit recently; ③ as derivative instrument, but not include designated as effective hedging instruments, financial guarantee contract, equity instrument investment related whichno public price in active market and fair value cannot be reliably measured and settlement by delivery.

Financial liabilities measured at fair value and the changes are recorded into the current profits and losses could use fair value to subsequent measurement, the profit or loss on fair value and related dividends and interests expenses should be credited in current profit and loss.

- Other financial liabilities

The Group's financial liabilities comprise other financial liabilities such as loans and payables.

Payables comprise notes payable, accounts payable, other payable Items, are initially recognized at fair values and subsequently measured at amortised cost using the effective interest method.

Loans and bonds are initially recognized at fair value minus transaction costs and subsequently measured at amortised cost using the effective interest method.

The term under 1 year(including 1year) of other financial liabilities, should be presented as current liabilities; The term above 1year but expired within 1year in balance sheets, should be presented as non-current liabilities due within one year; others should be presented as non-current liabilities.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(9) Financial instruments (Continued)

(b) Financial liabilities (Continued)

(ii) Cessation of financial liabilities

Financial liabilities are derecognized when it is extinguished, that is when the obligation specified in the contract is discharged, could be celled or expired. The Group (debtor) signed an agreement with creditors, adopt a way to undertake a new financial liability to replace the existing financial liability, and contract item of the new financial liabilities was different of the existing financial liability substantially, stopped the the existing financial liability, and confirm the new financial liability at the same. The difference between the carrying amount of cessation part of financial liability and the consideration paid should be recognized in profit or loss.

(iii) The offset of financial assets and financial liabilities

Financial assets and financial liabilities could be shown in the balance sheet separately, not offset each other. But when the Group has confirmed legal rights of offset financial assets and financial liabilities, and now this kind of legal rights could be executed, at the same time, the Group plans to netting or cash the financial assets and pay off the financial liability at the same time, the amount after offset of financial assets and financial liabilities to each other listed in the balance sheet.

(10) Receivables

(a) Individually significant receivables subject to separate impairment assessment

Major criterion or amount standard of single amount

Single amount is more than 100 million yuan.

Methods of calculation of major combined single of single amount withdrawing the bad-debt provision.

Withdrawing bad-debt provison according to the difference between the expected future cash flow of accounts receivable and the book value.

(b) Debts receivables of withdrawing bad-debt provision according to the credit risk characteristics combination

Methods of calculation of withdrawing bad-debt provision according to the credit risk characteristics combination

Combination 1: Aging analysis

According to the business nature, affirm credit risk characteristics

Combination 2: No provision for bad debts

According to the business nature, affirm non-credit risk characteristics

In combination, using the method of aging provision for bad debts

Aging	Provision for impairment of receivables	Provision for impairment of other receivables
Within 1 year	5%	5%
1 to 2 years	10%	10%
2 to 3 years	30%	30%
3 to 4 years	50%	50%
4 to 5 year	80%	80%
Over 5 years	100%	100%

4 Summary of Significant accounting policies and accounting estimates (Continued)

(10) Receivables (Continued)

(iii) Individually insignificant receivables subject to separate impairment assessment

The reason of withdrawing bad-debt provision individually	There is objective evidence that the Group would not be able to recover all funds according to the original receivables terms
Provision for bad debt provision method	Withdrawing bad-debt provision according to the difference between the expected future cash flow of accounts receivable and the book value.

(11) Inventories

(a) Classification

The inventories of the Group are recorded at initially cost. Inventory includes raw materials, material purchasing, work in process – outsourced goods in process, finished goods, Turnover materials, cost of real estate development, product of real estate development and Construction contract-completed and unsettled, etc.

(b) Measurement method of inventories

Cost of inventories is determined using first-in, first-out method or weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour and an allocation of production overheads incurred based on normal operating capacity.

(c) The determination of inventories net realizable value of and withdrawing of Inventory revaluation reserve

On the balance sheet date, the inventory was measured at lower of cost and net realizable value. The inventory revaluation reserve is withdrawn by the balance according to inventories cost higher than inventories net realizable value. The amount of inventories net realizable value is depended on estimated selling price minus the estimated cost until project completion, estimated selling expenses and related taxes and dues. That determining the net realizable value of inventories based on the obtain evidence, consider the purpose of holding inventories as well as the impact of events occurring after the date of the balance sheet at the same time.

After provision for inventory write-down, if the previous influence factors of write-downs in stock value have disappeared, and inventory net realizable value is higher than its book value, the original provision for inventory write-down amount should be turned back, the amount included in the current profits and losses.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(11) Inventories (Continued)

(d) The Group adopts the perpetual inventory system.

(e) Amortization of low cost consumables and packaging materials

Consumable items comprise low cost consumables and packaging materials that are sold by one-time write-off or sub-amortization according to the actual situation.

(f) Accounting policy of cost of real estate development, product of real estate development

Development cost and properties under development mainly include payments for the land transferring fees, basic facilities expenditure, construction and installation expenses, capitalised borrowing costs before development project completion and other expenses in the development process. Development cost is recorded as actually occurred; expenses of public facilities approved by the related government authorities, such as roads, should be included in the development costs, and specified clearly by accounting objects and projects. The cost of product of real estate development should carry forward by actual cost.

(g) Construction contract-completed and unsettled

Construction contracts are measured by actual cost, including incurred and contract related from the contract start day to finish day. The project could be resented at aggregate costs incurred and aggregate profits (or losses) recognized less settled payments and anticipated loss.

The excess of aggregate cost incurred and aggregate profits (or losses) over settled payments are presented as completed and unsettled. The excess of settled payments over aggregate costs incurred and aggregate profits (or losses) are presented as settled and uncompleted.

(12) Long-term equity investments

Long-term equity investments comprise the Company's equity investments insubsidiaries, and the Group's equity investments in jointly controlled entities and associates.

Subsidiaries are the investees over which the Company is able to exercise control; Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. The joint venture refers to the Group control the enterprise together with the other joint venture partner and be entitle to the right of the net assets.

Subsidiary investment business accounting according to the cost method in the company's financial statements ; Joint ventures and associated enterprises investment accounting in the equity method.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(12) Long-term equity investments (Continued)

(a) The determination of cost of investment

For a long-term equity investment caused by enterprise merger: if the merger enterprise was under the same control, take the share booked value of owner's equity of the combined party in the financial statements of the control side on combining date; if the merger enterprise was not under the same control, take combining cost as investment cost of long-term equity investment. For a business combination not under the same control and implemented through multiple transactions, the cost of long-term equity investment was the sum of the book value of the equity holding before the acquisition date and added investment cost on the acquisition date.

The long-term equity investment acquired from the ways other than business merger: for the long-term equity investment acquired from cash payment, the purchase price actually paid should be treated as the initial investment cost; for the long-term equity investment acquired from the issue of equity securities, the fair value of the issued equity securities should be treated as the initial investment cost.

(b) Subsequent measurement and profit and loss confirmation method

For long-term equity investments accounted for using the cost method, investment income is recognized in profit or loss for the cash dividends or profit distribution declared by the investees.

For the long-term equity investment calculated through equity method, the initial investment cost should be the long-term equity investment cost in the case that it is more than the fair value share of investee's net identifiable assets which should be enjoyed at the time of investment; while the balance should be included in current profits and loss and the long-term equity investment cost should be increased accordingly in the case that the initial investment cost is less than the fair value share of investee's net identifiable assets which should be enjoyed at the time of investment.

Under the equity method of accounting, the Group recognises the investment income according to its share of net profit or loss of the investee. Confirmation of the invested entity should base on identifiable fair value of all kinds of assets, according to the accounting policy and accounting period of the Group, and adjust the net profit of the invested entity. Confirmation of the net deficiency of the invested entity should be limited to the book value of the long-term equity investment and the long-term rights and interests of net investment to the invested entity substantively are reduced to zero, but the Group responsible for the obligation to undertake extra losses, For the expected liabilities meet or have stipulated in the contingency standard terms, the Group continue to confirm the investment losses and accounting as an estimated debts. For the other changes of owner's equity except net profits, other comprehensive income and distribution of profits losses of the invested entity, the Group adjust the book value of the long-term equity investment and included in the owner's equity. The share of the investee's profit distribution or cash dividends declared is accounted for as a reduction of the carrying amount of the investment upon declaration. Transactions between the Group and the invested entity, the cast or sell assets does not constitute a business, the unrealized insider trading profits and losses calculated the part belong to the Group according to the shareholding ratio, to offset, and recognition the profit and loss basis on this. Insider trading losses between the Group and the invested enterprise, which is part of asset impairment loss, the corresponding unrealised losses should not be offset.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(12) Long-term equity investments (Continued)

(c) Basis of control over long-term equity investment

Control refers to the Group has power over the investee, by participating in the relevant activities of the investors and have variable returns, and ability to use power to investee to influence its return amount.

Common control refers to an arrangement to a share control in accordance with the relevant agreement, and the arrangement of related activities could be decision with the agreement of all participants sharing control.

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

Group in determining whether could control or exert significant influence on the invested entity, is considering the potential factors concerning the voting rights investing of convertible corporate bonds and current executable warrants hold by enterprise and other parties.

(d) Impairment of long-term equity investment

An impairment loss is recognized in profit or loss for the amount by which the carrying amount of a long-term equity investment exceeds its recoverable amount (Note 4(18)).

(e) Disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price would be included in the current profits and losses.

Upon the Group lost control to the invested entity because of the disposal of part of equity investment, if processed remaining shares be capable of implement the common control or infliction the significant influences to the invested entity, Individual financial statements should compiled according to the equity accounting method, and the remaining shares should be adjust as measured equity method from beginning. If processed remaining shares do not be capable of implement the common control or infliction the significant influences to the invested entity, it would be recorded according to the confirmation of financial instruments and the relevant provisions of the measure criterion, the difference between the book value and fair value of the date of loss of control should be included in the current profits and losses.

For the other comprehensive income which was acquired before the Group achieve control to the invested entity, and under the rights and interests accounting method and financial instruments accounting recognition and measurement criteria, Group in accounting basis on the same date of related assets and liabilities with the invested entity, investee net assets except net profit and loss, other comprehensive income and distribution of profit which was accounted in equity method would transfer to current profit and loss on the date of loss the control to investee. And processed remaining shares measured by equity method, other comprehensive income and other owners' equity carry-over in proportion. If the processed remaining shares treatment in accordance with financial instruments recognition and measurement criteria, all other comprehensive income and other owners' equity carry forward.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(13) Investment properties

Investment properties, including land use rights that have already been leased out, buildings that are held for the purpose of lease, and buildings under construction or development that are held for future lease, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits would flow to the Group and its cost could be reliably measured; otherwise, the expenditures are recognized in profit or loss in the year in which they are incurred.

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual depreciation (amortisation) rates of the investment properties are as follows:

	Estimated useful Lives(Years)	Estimated residual Value (%)	Annual depreciation (amortisation) rate (%)
Buildings	15-40	3- 5	2.38- 6.47
Land use rights	40-70	-	1.43 - 2.50

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the depreciation (amortisation) method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current year.

An impairment loss is recognized in profit or loss for the amount by which the carrying amount of investment properties exceeds its recoverable amount (Note 4(18)).

4 Summary of Significant accounting policies and accounting estimates (Continued)

(14) Fixed assets

(a) Confirmation

Fixed asset includes houses and buildings, machinery and equipment, motor vehicles and other equipments.

Fixed assets refer to the tangible assets that holding for producing goods, providing labor services, renting or business management and the service life was over a fiscal year. Fixed assets are recognized when it is probable that the associated economic benefits would flow to the Group and the related cost could be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the time of acquisition. During the restructuring of the company, the fixed assets invested by state-ownedshare holders are recognized using assessed value approved by state-owned assets administration department.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits would flow to the Group and the related cost could reliably bemeasured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the year in which they are incurred.

(b) Fixed assets depreciation method

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives. The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

Items	Depreciation method	Estimated useful Lives(Years)	Estimated residual value	Annual depreciation rate
Buildings	Straight line method	15-40	3%-5%	2.38%-6.47%
Temporary buildings structure	Straight line method	3-5	3%-5%	19.00%-32.33%
Machinery and equipment	Straight line method	3-14	3%-5%	6.79%-32.33%
Motor vehicles	Straight line method	5-12	3%-5%	7.92%-19.40%
others	Straight line method	5-12	3%-5%	7.92%-19.40%

4 Summary of Significant accounting policies and accounting estimates (Continued)

(14) Fixed assets(Continued)

(c) Confirmation and valuation & depreciation method of fixed assets under financing lease

The finance lease is a lease that transfers substantially all the risks and rewards incidental to the ownership of an asset. A lessee usually should record the leased asset at an amount equal to the fair value of the leased asset or the present value of the minimum lease payments, whichever is lower, should recognise a long-term account payable at an amount equal to the amount of the minimum lease payments, and should treat the difference between the recorded amount of the leased asset and the long-term account payables as unrecognized finance charges (Note 4(26(2))).

In calculating the depreciation of a leased asset, the lessee should adopt a depreciation policy for leased assets consistent with that for depreciable assets which are owned by the lessee. If there is reasonable certainty that the lessee would obtain ownership of the leased asset when the lease term expires, the leased asset should be fully depreciated over its useful life. If there is no reasonable certainty that the lessee would obtain ownership of the leased asset at the expiry of the lease term, the leased asset should be fully depreciated over the lease term or its useful life, whichever is shorter.

(d) Other description

Fixed assets are derecognized on disposal or when no future economic benefits are expected from its use or disposal. The disposal proceeds less the carrying value and taxes are included in profit or loss for the current year.

When the recoverable amount is less than its booking value of the fixed assets, book value are reduced to the recoverable amount (Note 4(18)).

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

When the cost of construction in progress exceeds the recoverable amount, the construction in progress should be impaired and adjusted to the recoverable amount (Note 4(18)).

4 Summary of Significant accounting policies and accounting estimates (Continued)

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current year. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For specific borrowings that have been taken out for the acquisition or construction of qualifying assets, the amount of interest to be capitalised are the actual interest expense incurred on that borrowing for the period less any interest earned from depositing the unused borrowed funds in the banks or any investment income arising on the temporary investment of those funds.

For general borrowings that have been taken out for the acquisition or construction of qualifying assets, the amount of interest to be capitalised are determined by applying a capitalisation rate of general borrowings to the weighted average of the excess amounts of cumulative expenditures on the asset over the amounts of specific borrowings during the capitalisation period.

During the period of capitalization, all the balance of exchange of foreign currency specialized borrowings grant capitalization; all the balance of exchange of foreign currency general borrowings account into current profit and loss.

(17) Intangible assets

(a) Valuation methods, useful life, devaluation testing

Intangible assets include land use rights, the mining right, the franchise use, software, patent and proprietary technology. etc., and measured at cost. During the restructuring of the company, the intangible assets invested by state-ownedshare holders are recognized using assessed value approved by state-owned assets administration department.

(i) Land use rights

Land use rights are amortised on the straight-line basis over their approved useful period of 40 to 70 years.

(ii) Mining rights

Mining rights are amortised on the unit-of-production basis according to the proved reserves.

4 **Summary of Significant accounting policies and accounting estimates (Continued)**

(17) Intangible assets

(a) Valuation methods, useful life, devaluation testing

(iii) Concession assets

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

During a certain period after the completion of the construction, the assets are classified as financial assets if certain amount of money or other financial assets are receivable unconditionally from the authorizing authorities. Also, if the authorizing authorities should compensate the difference between the service charge and a certain limited amount, financial assets are also recognized at the same time when revenue is recognized.

If the contract provides that in a certain operating period after the completion of the construction, the company has the right to charge uncertain amount of service fees from customers, and this right does not constitute an unconditional right to collect cash, intangible assets are also recognized at the same time when revenue is recognized.

If the intangible assets mode is applicable, the Group would classify non-current assets related to this concession arrangement as concession assets within intangible assets classification in the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets would be amortised over the term of the concession period on the straight-line basis or the traffic flow method.

If the financial assets mode is applicable, the Group would classify assets related to this concession arrangement as financial assets in the consolidated balance sheets. Once the underlying infrastructure of the concession arrangements has been completed, interest and losses should be recognized during the concession period using actual interest rate method.

(iv) Software

Software are amortised on the straight-line basis over their estimated useful period of 3 to 5 years.

(v) Patents

Patents are amortised on a straight-line basis over the patent protection period of 5 to 20 years as stated in contracts.

4 **Summary of Significant accounting policies and accounting estimates (Continued)**

(19) Intangible assets

(a) Valuation methods, useful life, devaluation testing

(vi) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

(vii) When the recoverable amount of an intangible asset is lower than its book value, book value are reduced to the recoverable amount (Note 4(18)).

(b) Accounting policy of internal research and development spending

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities could form an intangible asset at end of the project.

Expenditure on the research phase is recognized in profit or loss in the year in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- It is technically feasible to complete the intangible asset so that it would be available for use;
- Management intends to complete the intangible asset, and use or sell it;
- It could be demonstrated how the intangible asset would generate economic benefits;
- Adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development phase could be reliably measured.

Other development expenditures that do not meet the conditions above are recognized in profit or loss in the year in which they are incurred. Development costs previously recognized as expenses are not recognized as an asset in subsequent year. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(18) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a Group of assets to which the asset belongs is determined. A Group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset Groups or Groups of asset Groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset Group or Group of asset Groups, including the good would allocated, is lower than its carrying amount, the corresponding impairment loss is recognized. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset Group or Group of asset Groups, and then deducted from the carrying amounts of other assets within the asset Groups or Groups of asset Groups in proportion to the carrying amounts of other assets.

Once the above impairment of assets is recognized, it is not allowed to be reserved even if the value could be recovered in subsequent period.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(19) Long-term prepaid expenses

Long-term prepaid expenses include the expenditure for improvements to fixed assets under operating leases, and other expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(20) Employee compensation

(a) Accounting methods of short-term compensation

Employee compensation refers to the various remuneration or compensation provided by the Group to obtain services or sever labor relation, including salary, bonus, allowance and subsidy, welfare expense of employee, medicine insurance charge, industrial injury insurance premium, Maternity insurance and housing funds, labor union expenditure and personnel education fund, etc.

During the accounting period that the employees provide service, the actual short-term compensation would be confirmed as liabilities by the Group, and would be included in current profit and loss or relevant asset cost. Worker welfare funds of the Group record into the current profits and losses or the relevant asset costs according to the actual amount. Non-monetary worker welfare funds measurement in accordance with the fair value.

That Insurance premium of pay medical treatment, industrial injury insurance, birth insurance premium and other social insurance and housing accumulation fund and Labor union expenditure and employee education expenses, during the accounting period the worker provide service to the Group, calculate and determine the corresponding compensation amount according to the stipulated provisions of withdrawing basis and total proportion, confirm the corresponding liabilities, and recorded into the current profits and losses or the relevant asset costs.

(b) Accounting methods of welfare after-service

Welfare after-service was divided into set the escrow and set to benefit plans.

All staff of the Group participates in and enjoy the endowment insurance plan organized by local government and fixed contribution, such social insurance scheme is regarded as setting in escrow. The corresponding payment extract according to a proportion of staff total wages and not exceed to upper limit, contribute to local labor and social security agency would be included into relevant asset cost and current profit and loss during the period of the worker provide service to Group.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(20) Employee compensation (Continued)

(b) Accounting methods of welfare after-service

The Group provides supplementary pension benefits to retired worker which was seen as setting benefit plan. For setting benefit plan, the semi-annual and annual balance sheet date should make actuarial valuation conducted by the independent actuary, determine the cost of providing welfare with the expected cumulative welfare unit method. Setting benefit plan of the Group include the following components of cost of worker pay ① Service costs, including the current service cost, past service costs and the profit or loss in settlement. Current service refers to the accrual of present worth of defined benefit obligation caused by the current period supplied service of the worker. Past service cost refers to the increasing or decreasing of present worth of defined benefit obligation caused by the modify of setting benefit plan relevant to previous worker's service. ② Set the debt interest expense of benefit plan; ③ remeasure change caused by setting benefit plan liabilities.

This Group would include the above ① and ② into the current profits and losses; included ③ into other comprehensive income and do not return to the profit and loss in the subsequent accounting periods, unless other accounting standards require or allow the worker welfare costs included in the cost of assets.

Some subsidiaries of the Group provide retired employees health benefits to the retiree. Expected costs of such benefits calculated according to same accounting policies with the setting benefit plan.

(c) Dismiss welfare and early retirement welfare

The dismiss welfare and employee retirement plan should be determined during the period that the Group stipulates termination of employment terms with relevant employees, or after the specific terms are notified to the employees. The dismiss welfare would be recognized by the Group when the following promises have been made: ① When the labor relation or layoff proposal could not be unilateral withdrawn by the Group and ② Confirmation of the cost related to the recombination of payment of dismiss welfare, and confirm which one is earlier, the liabilities arising from compensation caused by the termination of labor relation, all of which should be included in current profit and loss. In the condition of encouraging voluntary severance, the dismiss welfare should be determined based on the expected number of employees who would accept the proposal. The specific terms for termination and early retirement varies with the position of employees, length of service, regions and other reasons.

The Group would provide early retirement welfare for the employees who accept the early retirement arrangement. The early retirement welfare refers to the wage and social insurance charges paid to the employees who haven't reached the retirement age prescribed by the State, that voluntarily leave the position after the approval of the Group's management. The Group would pay early retirement welfare to the early retired employees from the beginning of early retirement arrangement to the date on which the employee reaches the retirement age prescribed by the State. Accounting treatment would be handled towards early retirement welfare by the Group based on the dismiss welfare. When the confirmation criteria related to dismiss welfare has been satisfied, the early retirement welfare that is planned to pay during the period from the cease of service to normal retirement would be treated as the liabilities and included in current profit and loss.

4 **Summary of Significant accounting policies and accounting estimates (Continued)**

(21) Anticipation Liabilities

Anticipation Liabilities are recognized when the Group has a present obligation, and it is probable that an outflow of economic benefits would be required to settle the obligation, and the amount of the obligation could be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognized as interest expense.

If all or part of expenses of anticipation liabilities pay-off would need the third to do, the amount should be recognized as assets separately and less than the book value when it could be mainly confirmed.

On the date of compiling the balance sheet, the Group would re-check and adjust the book value of the estimated debts, to reflect the current best estimate.

Current Obligations that the Group under a franchise contract must bear to overhaul the management toll road and resurface the road surface might cause the outflow of economic profit, the Group would include the obligations into anticipation liabilities when it's amount could be measured reliably.

Current Obligations that the Group under a pending litigation must bear to result of judgment of lose a lawsuit might cause the outflow of economic profit, the Group would include the obligations into anticipation liabilities when it's amount could be measured reliably.

(22) Perpetual Capital Securities and others financial instruments

The Group issues perpetual capital securities and others financial instrument, which satisfies the following conditions at the same time, could be as equity instruments.

- (a) The financial instrument excludes the contract obligation which delivery cash or other financial assets to others, or exchange financial assets or financial liabilities with others.
- (b) In the future, financial instruments settlement should be or use enterprises own equity instruments, if it is non-derivative instrument, excluding the contract obligation that delivery variable number to settle.

Except above all, the other financial instruments which Group issues could be classified as financial liabilities.

Perpetual capital securities and others financial instruments, whose interest expense or dividend allocated should be as profit distribution, the change deal fees when buy-back or cancel should be deduced from equity.

4 **Summary of Significant accounting policies and accounting estimates (Continued)**

(23) **Revenue**

Revenue is recognized when the economic benefits associated with the transaction would flow to the Group, the related revenue could be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) **Sale of goods**

Revenue from the sale of goods should be recognized only when all of the following criteria have been met:

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

(b) **Construction contracts**

- (i) If the outcome of a construction contract could be reliably estimated on the balance sheet date, the contract revenue and contract costs should be recognized using the percentage of completion method. The term "percentage of completion method" refers to a method by which the contractor recognizes its revenues and costs in proportion to the stage of completion of the contracted project.

The stage of completion of the contracted project is determined by proportion of the aggregate cost incurred to the estimated contract cost.

The outcome of a fixed price contract could be estimated reliably when all of the following conditions are concurrently met:

- The total contract revenue could be measured reliably;
- It is highly probable that the economic benefits related to the contract would flow into the Group;
- The relevant costs incurred could be identified clearly and measured reliably; and
- Both the stage of completion and costs necessary to complete the contract could be measured reliably.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(23) Revenue

(b) Construction contracts

The outcome of a cost plus contract could be reliably estimated when the following conditions are concurrently met:

- It is highly probable that the economic benefits related to the contract would flow into the Group; and
- The relevant costs incurred could be identified clearly and measured reliably.

On the balance sheet date, the contract revenue for the current year should be recognized on the basis of the total contract revenues multiplied by the percentage of completion less the total contract revenue recognized in previous years. Similarly, the contract expenses for the current year should be recognized on the basis of the total estimated contract costs multiplied by the percentage of completion less the total contract expenses recognized in previous years. Revenue resulting from variations to the contract, claims, and incentive payments are recognized when accepted by the other party.

On the balance sheet date, the contract revenue for the current year should be recognized on the basis of the total contract revenues multiplied by the percentage of completion less the total contract revenue recognized in previous years. Similarly, the contract expenses for the current year should be recognized on the basis of the total estimated contract costs multiplied by the percentage of completion less the total contract expenses recognized in previous years. Revenue resulting from variations to the contract, claims, and incentive payments are recognized when accepted by the other party.

(ii) When the outcome of a construction contract could not be estimated reliably, the Group should:

- Where contract costs could be recovered, the contract revenue should be recognized only to the extent that contract costs incurred are expected to be recovered, with the contract costs recognized as expenses in the year in which they are incurred; and
- Where contract costs could not be recovered, these costs should be recognized as expenses promptly when incurred and no contract revenue may be recognized.

4 **Summary of Significant accounting policies and accounting estimates (Continued)**

(24) Revenue recognition (Continued)

(b) Construction contracts (Continued)

- (iii) If the contract is likely more than the total cost of the contract revenue, the expected losses immediately recognized as expenses.

See Note 8 (10)(c) for the disclosure of several construction contracts of the Group.

(c) Rendering of services

- (i) If the outcome of a construction contract could be reliably estimated on the balance sheet date, the contract revenue and contract costs should be recognized using the percentage of completion method. The term "percentage of completion method" refers to a method by which the contractor recognizes its revenues and costs in proportion to the stage of completion of the contracted project. The stage of completion of the contracted project is determined by proportion of the aggregate cost incurred to the estimated contract cost.

Revenue from the rendering of services should be recognized only when all of the following criteria have been met:

- The total contract revenue could be measured reliably;
- It is highly probable that the economic benefits related to the contract would flow into the Group;
- The relevant costs incurred could be identified clearly and measured reliably; and
- Both the stage of completion and costs necessary to complete the contract could be measured reliably.

- (ii) When the outcome of rendering of services couldnot be estimated reliably, the Group should:

- Where rendering costs could be recovered, the rendering revenue should be recognized only to the extent that rendering costs incurred are expected to be recovered, with the rendering costs recognized as expenses in the year in which they are incurred; and
- Where rendering costs couldnot be recovered, these costs should be recognized as expenses promptly when incurred and no rendering revenue may be recognized.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(23) Revenue recognition (Continued)

(d) Transfer of asset use rights

Revenue from transfer of asset use rights comprises mainly interest income, royalty income and income from operating lease. These should be recognized only when all of the following criteria have been met:

- It is highly probable that the economic benefits related to the transaction would flow into the Group;
- The relevant amount of revenue could be measured reliably.

Interest income is recognized on a time-proportion basis using the effective interest method.

Royalty income is recognized based on the terms and conditions of the contract or agreement.

Income from an operating lease is recognized on a straight-line basis over the period of the lease.

(e) Mining

Revenue from mining is recognized when the Group has transferred to the buyer the Significant risks and rewards of ownership relevant to the goods and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(f) Sales of properties

Revenue from sales of properties where buyers have little or no influence on the design of the properties is recognized when the risks and rewards are transferred to the buyers, which occurs when the construction of the properties have been completed and the properties have been delivered to the buyers pursuant to a sales agreement, and the Group retains neither continuing managerial involvement to the degree usually associated with the ownership nor effective control over the properties sold.

(g) Construction-business-transfer (" BOT ") business related income confirmation

Revenues and expenses during construction period are recognized in accordance with the construction contract. After the completion of the project, follow-up revenues are recognized in accordance with the general principals.

(24) Government grants

Government grants are assistance by government in the form of transfers of monetary or non-monetary assets, including tax rebates and financial subsidies.

4 **Summary of Significant accounting policies and accounting estimates (Continued)**

(24) **Government grants(Continued)**

Government grants should be recognized when there is reasonable assurance that the Group would comply with the conditions attached to the grants and the grants would be received. Monetary grants are measured at the amount received or receivable from the Government. Non-monetary grants are measured at fair value.

(a) Judgment date and accounting methods of the public subsidy relevant to the assets

The government subsidies pertinent to assets mean the government assets that are obtained by enterprises used for purchase or construction, or forming the long-term assets by other ways. Because the government subsidies were formed from long-term investment through construction or other ways, so it was government subsidies relevant to the assets.

Government grants related to assets are initially recognized as deferred income and subsequently amortised as income on a systematic and rational basis over the useful life of the asset.

(b) Judgment date and accounting methods of the public subsidy relevant to the benefit

Public subsidy relevant to the benefit means the public subsidy except relevant to the asset. The public subsidy of the Group mainly including scientific research subsidy etc. As the public subsidy was mainly for relevant expense and loss of enterprise, so it was the public subsidy relevant to the benefit.

Public subsidy relevant to the benefit used for compensation the relevant expense and loss would confirmed as deferred income, and be included into current profit and loss during the confirmation period. The Public subsidy used for compensation past expense and loss would be include into current profit and loss directly.

(c) Relocation compensation due to the relocation for public interest

Relocation compensation due to the relocation for public interest as urban overall planning, construction in reservoir areas, turn shantytowns into new housing areas and subsidence area management, would be included into account payable special funds. For the compensation belong to the loss of fixed assets and intangible assets, relevant cost expense, factory shutdown losses and new construction asset, it should transfer into deferred income, and account the public subsidy relevant to asset and profit, the surplus would be recorded as capital reserve.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(25) Deferred tax assets and deferred tax liabilities

For the difference between the booking value of asset and liabilities project and the tax base, and the difference between the booking value of undefined asset and liabilities project and the tax base, using the balance sheet debt method confirmed deferred income tax assets and deferred income tax liabilities.

Normally all taxable temporary differences are recognized the deferred income tax liabilities. Confirmation of deferred income tax assets was limited with using the probably obtain to deduct deductible temporary differences, deductible losses and taxable income of tax deduct.

Deferred tax asset is recognized for the deductible losses that could be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, 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 would not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates would be reversed in the foreseeable future and that the taxable profit would be available in the future against which the temporary differences could be utilised, the corresponding deferred tax assets are recognized.

The rest of the current income tax and deferred income tax expenses or benefits included in the current profits and losses, except the current income tax and deferred income tax included into other comprehensive income or Stockholders equity relevant to the deal and item of other comprehensive income or Stockholders equity, and the book value of goodwill adjust of deferred income tax from enterprise consolidation.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(25) Deferred tax assets and deferred tax liabilities

The Group would remeasure the book value of deferred income tax assets on the date of balance sheet. If there was not sufficient taxable income to offset the benefit of the deferred income tax assets, then write-downs book value of the deferred income tax assets. When is likely to obtain sufficient taxable income, the amount of write-down should be turned back.

When the Group legal rights of use netting current income tax assets and the current income tax liabilities, and deferred income tax assets and deferred income tax liabilities are with the same tax collection and administration departments related income tax rate to the same entity or are related to different tax subject, but each has the importance in the future of the deferred income tax assets and liabilities return period, involving tax subject intent to netting current income tax assets and liabilities or assets, liquidation liabilities at the same time, the Group presentation the net amount after offset the deferred income tax assets and deferred income tax liabilities.

(26) Leases

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

(a) Operating leases

Lease payments are recognized on a straight-line basis over the period of the lease when the Group is a lessee, and are either capitalised as part of the cost of related assets, or charged as an expense for the current year.

(b) Finance leases

The leased asset is recorded at the amounts equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amount of the leased asset and the minimum lease payments is accounted for as unrecognized finance charge and is amortised using the effective interest method over the period of the lease. A long-term payable is recorded at the amount equal to the minimum lease payments less the unrecognized finance charge.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(26) Leases(Continued)

(c) Accounting methods of sale and leaseback transaction

When the sale and leaseback transaction is determined as the financing lease, the difference between the sales proceeds and the carrying value of the asset should be deferred, and apportion according to the progress of the leased asset depreciation, and adjust depreciation expense.

(27) Other Summary of Significant accounting policies and accounting estimates

(a) Dividend distribution

Dividend distribution is recognized as a liability in the period in which it is approved by the shareholders.

(b) Safety production costs

The Group would recognize safety production costs according to the stipulations of “assignment of enterprise safety production costs extraction and use management method” and “enterprise safety production extraction and use management method” by Treasury Department and State Administration of Production Safety Supervision and Management (Caiqi [2012] NO.16).

When the Group recognizes safety production costs, it should be included in the expense section or current profits and losses of relevant products, and corresponding special stored fund is added. When Group uses the accrued safety production cost, expenditure could direct offset special stored fund.If the cost would be capitalized, it should be aggregated in construction in progress at first, and transfer to fixed asset when the project is finished. The cost should offset special stored fund and accumulated depreciation cost would be recognized at the same amount. No more depreciation expense would be recognized in the future.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(27) Other Summary of Significant accounting policies and accounting estimates (Continued)

(c) Segment information

The recognition basis and accounting policy

The basis of operation segment is inner organization structure, management requirement, inner report system, and then as the basis of segment information.

The operation segment is a part , which satisfies the following conditions at the same time:

(i) Could produce revenue, and expense;

(ii) The Group management layer should evaluate the operating results termly for allocating resources and evaluation.

(iii) The Group could obtain the financial position, operating result and cash flow. If two or multi part have similar economical character and meet certain conditions, could be as one.

The Group management layer would respectively evaluate the operating results, including engineering and construction, property development, equipment manufacturing and resources development, and focus on different segment in different areas further.

The accounting policy and recognition criteria of segment information should be the same as compiling the financial statements.

The transfer transaction could be recognized by actual trade price. The segment revenue and segment expense depends on each segment part. The segment assets or liabilities depend on daily activities of operating segment.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(27) Other Summary of Significant accounting policies and accounting estimates (Continued)

(d) Important accounting estimate and judge

The Group needs to make judge, estimation and hypothesis on uncertain measurement financial statement, because of uncertain operation activity, when use above accounting policy. The basis is the history experiences and related factors. The actual result would be different with the hypothesis of the Group.

The Group would termly review judge, estimation and hypothesis on the basis of sustainable management. The change of accounting estimation would be recognized in current period when just influence current; if influence the current and future, it should be recognized in current period and future.

- The significant judge when using accounting policy

The Group has made the following significant judge, which has significant impact on the amount of financial statement:

(i) Perpetual Capital Securities

According to issue, the perpetual capital securities the Group issues, there is no certain expire date. The Group has the right to defer the interest expense, and the real options of the redemption belong to the Group. The Group could not undertake the contract obligation which delivery cash or other financial assets to others, or exchange financial assets or financial liabilities with others. If it meets the condition of the classification in Note 4(22), it could be recognized as equity instruments. The detail could be found in Note 8(48).

- The critical assumptions and uncertain factors in accounting estimation

By the balance sheet date, the following significant accounting estimation and critical assumptions would cause risk on significant adjustment of book values of assets and liabilities in future 12 months.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(27) Other Summary of Significant accounting policies and accounting estimates (Continued)

(d) Important accounting estimate and judge(Continued)

(ii) Construction contract

The revenues of each contract would be recognized on the basis of the “percentage-of-completion method” (contract cost should be estimated by management). If the result of construction contract could not be reliably estimated, the revenues of the contract would be recognized according to the retrieved actual contract cost and recognize contract expense as occurred, when contract cost could be retrieved; recognize the cost as contract expense as occurred when contract cost could not be retrieved. If the cost of contract is likely to be greater than total contract revenue, expected loss should be immediately recognized, and full amount of impairment loss is recognized. Because of special business nature of construction contract, contract date and completion date usually belong to different accounting period. During implementing the contract, the Group’s management would regularly review budgetary contractual revenue, budgetary contract cost, percentage of completion and corresponding cost incurred for contract. The numbers should be changed if situation changes. This amendment may lead to the increase or decrease in revenues and costs and would be reflected in the income statement during the construction period.

(iii) Bad-debt reserves

The Group could confirm the bad-debt reserves by recoverability of accounts receivable. When there is evidence shows accounts receivable could not be taken back, bad-debt reserves would be recognized. The recognition needs judge and estimation. If there is different between re-estimate result and current estimation, it would influence period profit and book value of accounts receivable

(iv) Estimated useful life and net residual value of fixed assets

The estimated useful life of fixed assets based on the historical experience of the actual residual value and useful lives of fixed assets of similar nature and functions. Management would increase the depreciation rate and dispose the idle or out-dated technical fixed assets when the lives get shorter.

The fixed assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(27) Other Summary of Significant accounting policies and accounting estimates (Continued)

(d) Important accounting estimate and judge(Continued)

(v) Loss from Asset Devaluation

At each balance sheet date, the Group would assess whether there is any indication that the assets are impaired. The recoverable amount of the Group's assets were determined by the higher of net value of fair value minus disposal costs and the present value of the expected future cash flow from the assets.

At each balance sheet date, the Group would assess whether there is any indication that the assets are impaired. The recoverable amount of the Group's assets were determined by the higher of net value of fair value minus disposal costs and the present value of the expected future cash flow from the assets. The impairment test is conducted in the current year by the Group towards the assets which have signs of impairment. It is estimated that the discount rate applied by the current value of future cash flow is 14.29%-17.33% of pre-tax discount rate(2014 : 13.44%-21.92%). According to the estimated recoverable amount, the Group has made impairment for fixedassets,construction in process, intangible assets and goodwill, the impairment amount could be attached in Note 8(18), Note 8(19), Note 8(21) and Note 8(22).

In the case that the management re-amends the income and gross profit rate adopted in the calculation handled by asset unit and combination of assets Groups, if the income and gross profit rate after amendment is lower than the present ones, the Group should re-amend the recoverable amount of long-term assets to decide whether a further provision is needed for impairment.

If management revises the pre-tax discount rate that was used in the calculation of the future cash flows pre-tax discount rate, and the revised pre-tax discount rate was higher than the one currently used, the Group would need to revise the recoverable amount of the long-term assets and assess whether impairment is necessary.

If the actual revenue, margin or pre-tax discount rate is above or below the management's estimates, impairment losses provided in previous years should not be reversed.

4 Summary of Significant accounting policies and accounting estimates (Continued)

(27) Other Summary of Significant accounting policies and accounting estimates (Continued)

(d) Important accounting estimate and judge(Continued)

(vi) Taxation

The Group is subject to income taxes in several jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Judgment is required in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences would impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

If the management expects that taxable profit which could be used to offset temporary differences or losses is likely to incur in the future, recognise deferred tax assets related to the temporary differences or losses. The difference between the expected amount and the original estimation would impact the recognition of deferred tax asset. If the management expects that taxable profit could not be offset, then no deferred tax assets are recognized.

(vii) Retirement and liabilities for early retirement welfare

The Group regards post-employment benefit plan as a liability. These post-employment obligations depend on a number of assumptions. The assumptions include discount rate, future wages and healthcare costs and other factors. The difference between the final outcome and initial estimates is amortized into the current year in accordance with the relevant accounting policy. Any significant changes to the above assumptions would impact the recognition of these post-employment obligations.

5 Summary of Significant accounting policies and accounting estimates (Continued)

There was no important accounting estimate change and the early stage of the error correction matters.

6 Taxation

1 The types and rates of taxes applicable to the Group are set out below:

Type	Taxable base	Tax rate
Corporate income tax	Taxable income	25%
Value added tax ("VAT")	Taxable value added amount (Tax payable is calculated using the taxable sales amount multiplied by the effective tax rate less deductible VAT input of current year)	3%, 6%, 11%, 13% and 17%
Business tax	Taxable turnover	3% and 5%
City maintenance and construction tax	Payment of value-added tax, business tax and consumption tax	1%, 5% and 7%
Land appreciation tax	Taxable value added amount of the transferred Real Estate property	3%
Corporate income tax	Taxable income	30% to 60%

- (a) Authorised by the State Council, since May 1, 2016, the business tax payers in construction, real estate, financial, services industry have been brought into the scope of Pilot Proposals for changing from business tax to value-added tax (Yinggaizeng). The value-added tax rate of construction and real estate industry is 11%, that of financial industry is 6%. The construction and real estate projects which started before May 1, 2016 could choose simple tax method to calculate value-added tax, the tax rate is 3% and 5% respectively. For the revenue of infrastructure construction, real estate development and etc., the group have implemented "Pilot Proposals for the Change from Business Tax to Value-Added Tax" after Yinggaizeng.

6 Taxation(Continued)

1 The types and rates of taxes applicable to the Group are set out below(Continued)

(b) The group exists overseas operating entity:

Taxpayers	Rate of income tax
China ENFI Congo (Gold)Co., Ltd.	40%
MCC Argentina Mining Co., Ltd.	35%
MCC Luba International Construct (Private) Co., Ltd.	35%
MCC International Venezuela Co., Ltd.	34%
China ENFI (Namibia) Co., Ltd.	33%
Ecuador Corporation Wuhan Surveying-geotechnical Research Institute Co., Ltd. of MCC	33%
MCC New ZealandCo., Ltd.	33%
MCC Zimbabwe Co., Ltd.	33%
China First Metallurgical India (Private) Co., Ltd.	32%
MCC Australia Holding Co., Ltd.	30%
MCC Australia Three Gold Mining Co., Ltd.	30%
MCC Western Australia Mining Co., Ltd.	30%
MCC Australia (Brisbane)Co., Ltd.	30%
MCC ShijiuPapua New GuineaCo., Ltd.	30%
China First Metallurgical Malaysia Co., Ltd.	28%
MCC Overseas LTD Malaysia Co., Ltd.	24%
MCC Real Estate Group Malaysia Co., Ltd.	24%
MCC MalaysiaConstruction Engineering Co., Ltd.	24%
Shanghai Baoye (Malaysia)Co., Ltd.	24%
CISDI UK Engineering Holdings Co., Ltd.	20%
MCC Tiangong (Cambodia) Engineering Co., Ltd.	20%
MCC 22 Russia Co., Ltd.	20%
MCC Overseas Cambodia Co., Ltd.	20%
MCC (Thailand) Co., Ltd.	20%
MCC 22 Cambodia Development ConstructionCo., Ltd.	20%
MCC International (Cambodia) Co., Ltd.	20%
Shanghai Baoye (Cambodia)Co., Ltd.	20%
MCC 19VietnamCo., Ltd.	20%
China Jingye Construction (Singapore) Co., Ltd.	17%
MCC Real Estate Group Singapore Co., Ltd.	17%
MCC Real Estate Group PotongPasir Co., Ltd.	17%
MCC Real Estate Group Tampines Co., Ltd.	17%
MCC International Trade (Hong Kong) Co., Ltd.	17%
MCC Overseas Hong Kong Co., Ltd.	17%
Hong Kong Nanhua International Engineering Co., Ltd.	17%
Xionghui Investment Co., Ltd.	17%
MCC Real Estate Group Hong Kong Co., Ltd.	17%
MCCJingyeEngineering Technology (Hong Kong)Co., Ltd.	17%
MCC CISDI Brazil GUSA Project Co., Ltd.	16%
Mongolia Corporation MCC Tiangong Construction Co., Ltd.	10%
MCC Vietnam OperationCo., Ltd.	10%
MCC Holding (Hong Kong) Corporation Limited	10%
MCC Indonesia Construction Co., Ltd.	3%
MCC RamuNiCo Limited	Zero rate
Ruimu Ni-co Management (MCC) Co., Ltd./	Zero rate
MCC Group Copper Zinc Co., Ltd.	Zero rate

6 Taxation(Continued)

1 The types and rates of taxes applicable to the Group are set out below(Continued)

(b) The group exists overseas operating entity(Continued):

Taxpayers	Rate of income tax
MCC Jiangxi Copper Mining Aynak Copper Mine Co., Ltd.	Zero rate
MCC Duddar Zinc-lead Mine Development Co., Ltd.	Zero rate
MCC Group Resource Development Co., Ltd.	Zero rate

2 Preferential tax policies

(1) Western Development Zone preferential tax policy

According to the Ministry of Finance's 'Caishui [2001] No. 202', namely 'Notification by the Ministry of Finance, State Administration of Taxation and General Administration of Customs of the PRC on the Western Development Zone preferential tax policy', document 'Guoshuifa [2002] No.47' the Ministry of Finance, General Administration of Customs of the PRC, State Administration of Taxation jointly issued by Caishui [2011] No. 58 'The Tax Policies Announcement on the Implementation of the Western Development Strategy "(hereinafter referred to as the" notice ")", which clearly further support for the Development of the Western Region's package of tax policy. The implementation of the Notice was implemented since January 1, 2011. In order to encourage industrial enterprises located in the western regions, the "notice" regulated, from January 1 2011 to December 31, 2020, that these enterprises use the reduced income tax rate of 15%. Upon the approval of local tax bureau, the following companies could apply the Western Development Zone preferential tax treatment as follows:

- (a) MCC-SFRE Heavy Industry Equipment Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2006 to 2020.
- (b) China Metallurgical Construction Engineering Group Co., Ltd should pay enterprise income tax at the tax rate of 15% from 2007 to 2020.
- (c) Chongqing Zhongye Real Estate Development Co., Ltd, Chongqing Zhongye Estates Management Co., Ltd, Chongqing CISDI Engineering Consult Co., Ltd, Chongqing CISDI Thermotechnical Environment Engineering Technology Co., Ltd, MCC CISDI Engineering Technology Holding Co., Ltd, Chongqing CISDI Smelt Equipment System Integrated Engineering Technology Research Center Co., Ltd, Chongqing CISDI Heavy Industry Equipment Co., Ltd, Chongqing CISDI Estates Management Co., Ltd, Xi'an Electric Furnace Institute Co., Ltd , would pay enterprise income tax according at a reduced tax rate of 15% from 2011 to 2020.
- (d) Chongqing CISDI Production Drawing Review and Consult Co., Ltd, China Metallurgical Construction Engineering Group Chongqing Steel Construct Co., Ltd, China Metallurgical Construction Engineering Group Chongqing Heyuan Concrete Co., Ltd would pay enterprise income tax according at a reduced tax rate of 15% from 2015 to 2020.
- (e) MCC CISDI Chongqing Information Technology Co., would pay enterprise income tax according at a reduced tax rate of 15% from 2016 to 2020.

6 Taxation(Continued)

2 Preferential tax policies(Continued)

(2) High and New technology enterprises

The following companies are categorised as high and new technology enterprises according to the technological office at provincial level and therefore enjoyed related preferential tax policies for high and new technology enterprises.

- (a) CISDI Shanghai Engineering Technology Co., Ltd, Hunan ZhongyeChangtian Heavy Industry Technology would pay enterprise income tax at the tax rate of 15% from 2013 to 2016.
- (b) Shanghai Baoye Engineering Technology Co., Ltd, Central Research Institute of Building and Construction Co., Ltd, china Jingye Engineering Co., Ltd, Beijing Metallurgical Nuclear Technology Development Co., Ltd, China 19th Metallurgical Group (Fangcheng gang) Equipment Structure Co., Ltd, China 17th Metallurgical Group Corporation, China 5th Metallurgical Group Corporation, Wuhan Huaxiajingchong Technology Co., Ltd, China First Metallurgical Group Corporation, Beijing ENFI Environmental Protection limited liability company, Beijing ENFI Environmental Protection Technology Co., Ltd, ZhongyeHuatian Nanjing Engineering Technology Co., Ltd, ZhongyeHuatian Engineering Technology Co., Ltd, ZhongyeHuatian Nanjing Industrial Furnace Co., Ltd, MCC Communication Construction Group Co. Ltd, WISCODRI (Wuhan) Automatic Co., Ltd, WISCODRI (Wuhan) Weishi Industrial Furnace Co., Ltd, WISCODRI Engineering Technology Co., Ltd, Wuhan Dushi Environmental Protection Engineering Technology limited liability company, WISCODRI (Wuhan) Information Technology Co., Ltd, Shen Kan Engineering and Technology Co., Ltd would pay enterprise income tax at the tax rate of 15% from 2014 to 2016.
- (c) CERISTAR Electric Co., Ltd, CERI Phoenix Industrial Furnace Co, Ltd, CERI Seri Graphic Information Technology Co., Ltd, CERI RuixinChangcai Engineering Technology Co., Ltd, CERI Zeyu Energy and Protection Technology Co.,Ltd, CERI Jiayu Eco Technology Co. ,Ltd, CERI Zhixing Technology Co., Ltd,Capital Engineering& Research Incorporation Limited, CERI Dingyu Management System Co., Ltd, CERI Huayu Construction Design Research Co. ,Ltd, ZhongyeChangtian International Engineering Co., Ltd, Hunan ChangtianAutomatic Control Engineering Co., Ltd, Baotou Beilei CCTEC Engineering Technology Co., Ltd,would pay enterprise income tax at the tax rate of 15% from 2014 to 2017.
- (d) The enterprises including MCC Wuhan Servey and Research Institute Co., Ltd, China ENFI Engineering Technology Co., Ltd, MCC-SFRE Heavy Industry Equipment Co., Ltd., Shanghai Zhongye Environment Engineering Technology Co., Ltd, MCC Baogang Technology service Co., Ltd, Shanghai Zhida Electronic Limited Company,Shanghai 20th Construction Co., Ltd,ChinaHuaye Group Company Limited, Beijing Yuanda International Consulting Limited Company, Beijing Niuweixun Construction Engineering Technology Limited Company, Tianjin Yejian Special Material Limited Company, Beijing MCC Equipment Research and Design Institute Limited Company, China MCC 19 Group Co., Ltd, China MCC 5 Group Shanghai Co., Ltd, Wuhan Yiye Steel Structure Co., Ltd, Luoyang China Silicon Corporation Ltd, ZhongyeHuatian Nanjing Electric Engineering Technology Co., Ltd,MCC(Beijing) Traffic Technolgy Development Limited Company, MCC CCTEC Technology Engineering Co., Ltd, Beijing Kingway Welding Materials Limited Company, MCC CISDI Engineering Technology Co., Ltd, would pay enterprise income tax according at a reduced tax rate of 15% from 2015 to 2017.
- (e) Ma'anshan MCC 17 Engineering Technology Limited Company, Beijing CERI Kelin Environment Technology Limited Company, CERI (Qinhuangdao)Engineering Technology Co., Ltd CERI (Yangzhou) Metallurgy Industry Limited Company would pay enterprise income tax according at a reduced tax rate of 15% from 2015 to 2018.

6 Taxation(Continued)

2 Preferential tax policies(Continued)

(3) Other major tax breaks

- (a) According to the relevant tax preference provision for environmental protection project in article eighty-eight of the chapter forth of the decree of the state council of the People's Republic of China No. 512, "Enterprise Income Tax Law and Implementation Rules of the People's Republic of China". Order of the president of the people's Republic of China [2007] No. 63.

MCC Huangshi City Water Co., Ltd, Lanzhou CIC Water Co., Ltd, MCC Liu'an city Water Co., Ltd, MCC Ma'anshan City Water Co., Ltd, XiaoganZhongshe Co., Ltd, Beijing Zhongshe Water treatment Co., Ltd, Xuancheng MCC Water Co., Ltd, ENFI New Energy (Zhongwei) Co., Ltd, Changle MCC Water Co., Ltd, City Environmental Wuhan Water Co., Ltd, belong to the enterprise of environmental protection, enjoy the policy "three of three-free" from the first operating income taxable year.

Of which, the beginning date of Huangshi City MCC Water Co., Ltd was from 2011, applicable tax rate is 12.5% in 2016; Lanzhou CIC Water Co., Ltd, and ENFI New Energy (Zhongwei) Co., Ltd, were from 2012, applicable tax rate is 12.5% in 2016; the beginning date of, Liu'an city MCC Water Co., Ltd, MCC Ma'anshan city Water Co., Ltd was from 2014, applicable tax rate is zero in 2016; XiaoganZhongshe Co., Ltd, Beijing zhongshe Water treatment Co., Ltd, Xuancheng MCC Water Co., Ltd, was from 2015 applicable tax rate is zero in 2016; Changle MCC Water Co., Ltd, City Environmental Wuhan Water Co., Ltd, was from 2016 applicable tax rate is zero in 2016.

- (b) According to "Enterprise income tax law of the People's Republic of China." third paragraph of article 27 and "Enterprise Income Tax Law and Implementation Rules of the People's Republic of China" article 87, approved by tax authority, ENFI New Energy Co., Ltd, enjoy the policy "three of three-free" from 2012, and enjoy High and New technology, applicable tax rate is 7.55 % in 2015.

Xiangyang ENFI Green Energy Co., Ltd enjoys the policy "three exemption, three half" from 2012, applicable tax rate is 12.5% in 2015. In addition, the 10% of investment amount of energy conservation and environmental protection equipment could be offset from tax amount payable, any excess amount may be carried forward and deductible in the following 5 tax years. The grace period starts from 2014 to 2018.

- (c) According to the Ministry of Finance, State Administration of Taxation "notice of added-value tax, business tax and corporate income tax to promote the development of energy saving service industry" (Caishui[2010] No.110): for eligible energy conservation service company implementation of contract energy management project, the business tax taxable income, it should be temporarily exempt from the business tax and exempt from the corporate income tax from year 1 to 3, and collect half of the amount of statutory tax rate from year 4 to 6.

Hunan MCC Changtian Energy Conservation and Environmental Protection Technology Co., Ltd, and MCC Energy Conservation and Environmental Protection Technology Co., Ltd, own several contract energy management projects, different projects calculate own's income of tax, since first operating income year, could enjoy the preferential policy of "three exemption, three half".

6 Taxation(Continued)

2 Preferential tax policies and official documents (Continued)

(3) Other preferential tax policies(Continued)

- (d) According to the Ministry of Finance, State Administration of Taxation "Continue to implement the small profit-making enterprise income tax preferential policies" [2015] No. 34,"Ministry of Finance, State Administration of Taxation "Futher expanding the scope of implementing the small profit-making enterprise income tax preferential policies" [2015] No. 99," The enterprise income tax law" article 28 and "Enforcement Regulation" article 92:

Jilin Zhongye CRIBC Tenement Service Co., Ltd, Tianjin Weishi Engineering Detection Co., Ltd, Zhongye Fireproofing Detection Center, Shanghai ZhongyeBaogang Technical and vocational skills training center, Xi'an MCC New Material Co., Ltd, Dalian MCC JiaonaiFeilong Instrument Co., Ltd, Tianjin MCC Mingtai Estate Management Co., Ltd, accords to small low-profit enterprises, applicable tax rate is 20 % in 2016.

Industrial Construction Magazine Agency, Beijing Anhui Estate Management Co., Ltd, Beijing Jingqiu Energy saving New-tech Development Company, Beijing Xinpeng Energy Technology Co., Ltd, Beijing Xinguang Technology Co., Ltd, MCC Metallurgical Construction Engineering Group Bengbu Construction Engineering Co., Ltd,Pudding Magazine (Hubei) Co., Ltd,Shanghai Baoye Steel Sturcture Co., Ltd, (Shanghai Baoye Light Steel Co., Ltd,), Nanjing MeiyeMechanical and electrical equipmentCo., Ltd, Shanghai YejianKe'ao High Temperature Material Co., Ltd, MCC Mongolia Construction Investment Co., Ltd, Chongqing MCC Estate Management Co., Ltd,are applied to criterion of small low-profit enterprises from 2015 to 2017,the income could enjoy 50% reduced according to the preferential tax policy, and enjoyed preferential tax rate is 20% in 2016.

- (e) According to the State Administration of Taxation "Notice of Corporate income tax Preference Management of Resource Multipurpose Utilization" , since 1, January, 2008, the income from the resource which was as main material to produce nation non-restriction and non-prohibition product that accords to nation and industry related standard, could at a reduced 90% as enterprise current year taxable income total amount.

City Environment Protection Energy Development DafengCo., Ltd, could enjoy above preferential tax policy in 2016.

- (f) According to "Enterprise income tax law of the People's Republic of China." "Enterprise Income Tax Law and Implementation Rules of the People's Republic of China"(state council order No. 512) and "notice of income tax preferential policy for the enterprise arranging employment of person with disability" (Caishui[2009] No. 70), the enterprise arranging employment of person with disability calculate the taxable income deduction 100% of the wages of disability base on deduction real wages.

MCC Baogang Technology service Co., Ltd., Shanghai Baohong Industry & Trade Industrial Co., Ltd、 China MCC 19 Group Co., Ltd, China MCC 19 Group property Services Co.Ltd, Tianjin MCC 20 Group Co., Ltd, could deduction 100% wages of disability before calculating the enterprise incoming tax in 2016.

6 Taxation(Continued)

2 Preferential tax policies and official documents (Continued)

(3) Other preferential tax policies (Continued)

(g)

According to SAT "Notice of Enterprise research and development costs deduction management method before tax (trial)"([2008] No.116) research and development expenses relevant to high-tech fields in the national key support project allow 50% deduction the current taxable income of the actual amount of research and development cost. The following subsidiary enjoy the preferential tax policy:

The enterprises including Beris Engineering and Research Corporation enjoy the preferential tax policy from 2008 to 2016.

The enterprises including MCC Baogang Technology service Co., Ltd, Shanghai Baoye industry technology service Co., Ltd, China MCC 20 Group Co., Ltd, China MCC 19 Group Co., Ltd, China MCC 19 Group(Fangcheng Port) equipment structure Co., Ltd, China MCC 19 Group Chengdu Construction Co., Ltd, Panzhihua Tianyu engineering detection Co., Ltd, Tianjin MCC 20 Co., Ltd, MCC Tiangong Group Corporation Limited, China MCC 5 Group Co., Ltd, China MCC 5 Group Shanghai Co., Ltd, China MCC First Group Co., Ltd, Wuhan Yiye Steel Structure Co., Ltd, Wuhan Huaxia Fine Blanking technology Co., Ltd, MCC Wuhan Metallurgy Building Research Institute Co., Ltd, MCC Huatian Engineering Technology Co., Ltd, MCC Huatian Nanjing Engineering Technology Co., Ltd, South MCC Automation (Wuhan) Co., Ltd, South MCC engineering (Wuhan) information technology Co., Ltd, South MCC engineering information technology Co., Ltd, South MCC (Wuhan) Weishi Industrial Furnace Co., Ltd, Wuhan City Environmental Protection Engineering Technology Co., Ltd, MCC CTEC Technology Engineering Co., Ltd, MCC CISDI Shanghai Engineering Technology Co., Ltd, MCC CISDI Engineering Technology Co., Ltd, Chongqing CISDI Thermotechnical Environment Engineering Technology Co., Ltd, MCC CISDI Chongqing Information Technology Co., Ltd, MCC CISDI Electrical Technology Co., Ltd, Beijing Taifuli Transmission Machinery Co., Ltd, Xi'an Electric Furnace Institute Co., Ltd, MCC-SFRE Heavy Industry Equipment Co., Ltd, MCC Changtian International Engineering Co., Ltd, Hunan Changtian Automatic Control Engineering Co., Ltd, Hunan MCC Changtian Heavy Industry Technology Co., Ltd, Hunan MCC Changtian energy conservation and environmental protection technology Co., Ltd, MCC Tiangong (Tianjin) Equipment Manufacturing Co., Ltd, Kunshan MCC Baogang Welding material Co., Ltd, Baotou Beilei CTEC Engineering Technology Co., Ltd enjoy the preferential tax policy in 2016.

(h) According to the Ministry of Finance, State Administration of Taxation "Notice of Resource Multipurpose Utilization Products and Labor value added tax preferential catalogue" [2015] No.78, if taxpayers sell own above products, they could enjoy TAT drawback policy.

Xiaogan Zhongshe Co., Ltd, Beijing Zhongshe Water treatment Co., Ltd, Lanzhou Zhongtong Water Co., Ltd, Changzhou ENFI Water Co., Ltd, Lai'an Country MCC Huatian Water Co., Ltd, Shouguang City MCC Huatian Water Co., Ltd, Shouguang city Chengbei MCC Water Co., Ltd, Chuzhou city MCC Huatian Water Co., Ltd, Tianchang city MCC Huatian Water Co., Ltd, Huangshi city MCC Water Co., Ltd, Liu'an city MCC Water Co., Ltd, Ma'anshan city MCC Water Co., Ltd, Xuancheng city MCC Water Co., Ltd, City Environment Protection Wuhan Water Supplies Co., Ltd, Zhejiang Chunnan Sewage Treatment Co., Ltd, Beijing ENFI Reclaimed Water Co., Ltd, Changle city MCC Water Supplies Co., Ltd, Xinglong County MCC Water Supplies Co., Ltd, MCC Qinhuangdao Water Co., Ltd, City Environment Protection Energy Development Dafeng Co., Ltd could enjoy 70% VAT drawback policy for sewage treatment labor service in 2016.

6 Taxation(Continued)

2 Preferential tax policies (Continued)

(3) Other preferential tax policies(Continued)

- (i) According to the Ministry of Finance, State Administration of Taxation “Notice of added-value tax, business tax and corporate income tax to promote the development of energy saving service industry” (Caishui [2010] No.110): for eligible energy conservation service company implementation of contract energy management project, the business tax taxable income, it should be temporarily exempt from the business tax (after yinggaizeng , VAT exemption).

Hunan MCC Changtian Energy Conservation and Environmental Protection Technology Co., Ltd and Zhongye Energy Conservation and Environmental Protection Co., Ltd, own several contract energy management project, could enjoy VAT exemption policy temporarily.

- (j) According to the Ministry of Finance, State Administration of Taxation, the General Administration of Customs (Caishui [2000] No. 25) “on the encourage the development of software industry and integrated circuit industry of notice of relevant tax policy”, the software product sales VAT of MCC Jiaonai Automation Co., Ltd is to enjoy the drawback policy of value-added tax since 2010, tax refund rate 14%

- (k) According to the Ministry of Finance, State Administration of Taxation (Caishui [2011] No. 100) “notice the value-added tax policy on software products” actual tax of selling software more than 3% enjoy the drawback policy of value-added tax.

MCC CISDI Chongqing Information Technology Co., Ltd enjoy the drawback policy of value-added tax from 2015 to 2019, tax refund rate was 14%. MCC CISDI Electrical technology Co., Ltd permanently enjoy the drawback policy of value-added tax, tax refund rate was 14%.

- (l) According to State Administration of Taxation Caishui [2013] No. 37, Xi'an Electric Furnace Co., Ltd, Beijing ENFI Environment Protection Technology Co., Ltd could enjoy VAT exemption policy for technology development revenue in 2016, MCC Changtian International Project Co., Ltd could enjoy VAT exemption policy for technology transfer in 2016. MCC Huatian Engineering Technology Co., Ltd could enjoy VAT exemption policy for both technology transfer and technology development contract in 2016.

- (m) According to the Ministry of Finance, State Administration of Taxation, Caishui [2000] No.125, Beijing Metallurgical Equipment Research Design Institute Co., Ltd could enjoy levy business tax and building tax relief on public-owned housing rent in 2016.

- (n) According to the Ministry of Finance, State Administration of Taxation, Caishui [2016] No.94, MCC Real Estate Group Estate Service Co., Ltd could enjoy VAT exemption policy for revenue of resident heating fee from 2016 to 2018.

- (o) According to the Ministry of Finance, State Administration of Taxation, Caishui [2010] No.42, Wuhu MCC Real Estate Co., Ltd enjoys levy land use tax in 2016 (12-15 yuan per square meter before) and levy stamp tax on estate transfer document. MCC Northeast Construction (Shenyang) Real Estate Co. Ltd enjoys levy land use tax in 2016.

- (p) According to the Ministry of Finance, State Administration of Taxation “Notice of tax policy to promote the development of shantytowns” (Caishui [2013] No.101), MCC Northeast Construction (Shenyang) Real Estate Co. Ltd enjoys exemption of local education supplementary tax and stamp tax in 2016.

7 Business Combinations and Consolidated Financial Statement

- (1) Principle in determining consolidation scope, basis & method of preparation of consolidated financial statements

Details See this Note 4(5) above.

- (2) Basic information of subsidiaries included in the consolidation scope as on December 31, 2016

Details See this Note 18 above.

- (3) The alternation of consolidation scope

None

- (4) The consolidation in 2015 could see details in this Note 16, the disposal in 2015 could see details in this Note 8(64) (d).

- (5) Companies and reasons which the Group hold less than 50% of equity interest but are included in the consolidation scope on 31 December 2016

	Holdings Proportion (%)	Voting rights Proportion (%)	Registered capital	Amount of investment	Class	Into the merger Range reason
Qingdao JinzeHuadi Real Estate Co., Ltd.	50.00	50.00	1,000.00	4,387.47		Has substantial control
Beijing ENFI Environmental protection Co., Ltd	49.15	49.15	3,048.79	15,355.02	4	Has substantial control
Beijing Kingway Welding Material Co., Ltd	45.00	45.00	5,000.00	2,522.99	4	Has substantial control
Wuhan Zhongyi Traffic Construction Engineering Co., Ltd.	25.10	25.10	119,521.91	30,000.00	4	Has substantial control

- (6) Companies and reasons which the Group hold more than 50% of equity interest but are not included in the consolidation scope on 31 December 2016.

	Holdings Proportion (%)	Amount of investment	Into the merger Range reason
Fuzhou Zhongye Infrastructure Investment Co., Ltd.	90.00	90.00	The opposite shareholder has one veto power.
TianjinZhongzeMingjin Real Estate Co., Ltd.	80.00	80.00	Need to act together with another shareholder
Yinchuan Huaiyuan Road Underground Comprehensive Tunnel Construction Management Col, Ltd.	70.00	70.00	Need to act together with another shareholder
Sichuan XinyeJieda Air-condition Technology Limited Company	60.00	60.00	The company has begun its liquidation procedures.
Beijing New Century Hotel Co., Ltd.	60.00	60.00	All shareholder are entitled to one veto power ballot

7 Business Combinations and Consolidated Financial Statement (Continued)

- (6) Companies and reasons which the Group hold more than 50% of equity interest but are not included in the consolidation scope on 31 December 2016. (Continued)

	Holdings Proportion (%)	Amount of investment	Into the merger Range reason
GuizhouZiwan Highway ConstructionCo., Ltd.	59.92	59.92	Need to act together with another shareholder
GuizhouSanli Highway ConstructionCo., Ltd.	59.95	59.95	Need to act together with an other shareholder
GuizhouSanshi Highway ConstructionCo., Ltd.	59.90	59.90	Need to act together with another shareholder
Zhuhai MCC Huafumingwan Real Estate Co., Ltd.	51.00	51.00	Need to act together with another shareholder
ZhumadianZhongyeTap Water Co., Ltd.	51.00	51.00	Need to act together with another shareholder

8 Notes to the consolidated financial statements

(1) Currency Fund

	31 December 2016			31 December 2015		
	Foreign currency amount	Exchange rate	RMB amount	Foreign currency amount	Exchange rate	RMB amount
Cash on hand-						
RMB	—	—	1,274.08	—	—	1,274.08
US dollar	24.89	6.9370	240.38	37.02	6.4936	240.38
Euro	1.88	7.3068	16.05	2.26	7.0952	16.05
Australian dollar	1.97	5.0157	27.48	5.81	4.7276	27.48
Others	—	—	888.49	—	—	888.49
			<u>2,446.48</u>			<u>2,446.48</u>
Cash at bank-						
RMB	—	—	3,084,412.47	—	—	2,469,282.36
US dollar	84,882.41	6.9370	588,829.30	43,211.63	6.4936	280,599.06
Euro	739.12	7.3068	5,400.59	459.95	7.0952	3,263.44
Australian dollar	5,347.64	5.0157	26,822.16	5,923.82	4.7276	28,005.44
Others	—	—	121,290.55	—	—	86,534.04
	—	—	<u>3,826,755.07</u>	—	—	<u>2,867,684.34</u>
Other cash balances-						
RMB	—	—	827,475.06	—	—	721,766.49
US dollar	399.7	6.9370	5,780.33	399.70	6.4936	2,595.49
Euro	215.29	7.3068	449.66	215.29	7.0952	1,527.53
Australian dollar	60.02	5.0157	301.04	60.02	4.7276	283.75
Others	—	—	4,187.75	—	—	2,972.78
			<u>838,193.84</u>			<u>729,146.04</u>
Total			<u>4,667,374.14</u>			<u>3,599,276.86</u>
Of which: the total amount in overseas			245,205.62			120,004.99

The amount of restricted cash at bank and on hand and the reasons for restriction are disclosed in Note 8(25).

8 Notes to the consolidated financial statements (Continued)

(2) Financial assets measured at fair value and the changes are recorded into the current profits and losses

	31 December 2016	31 December 2015
Transactional financial assets	104.36	141,001.10
Of which: Investments in equity instrument	104.36	115.52
Money fund		140,885.58
	<u>104.36</u>	<u>141,001.10</u>

The fair value of transactional financial assets depends on the price of final transaction date of public market.

(3) Derivative financial assets

	31 December 2016	31 December 2015
Agreement of future foreign exchange settlement	871.04	0.00
	<u>871.04</u>	<u>0.00</u>

(4) Notes receivable

	31 December 2016	31 December 2015
Bank acceptance notes	482,636.22	392,271.41
Trade acceptance notes	1,125,160.07	754,348.74
	<u>1,607,796.29</u>	<u>1,146,620.15</u>

The amount of restricted notes receivable and the reasons for restriction are disclosed in Note 8(25).

(a) Companies have pledged receivables at the end of that year

Item	Pledged amount at the end of that year
Bank acceptance notes	23,714.02
Trade acceptance notes	400.00
Total	24,114.02

(b) By 31, December, 2016, notes receivable that the company has been endorsed or discount and has not expired was RMB 714,798.4 ten thousand yuan (31, December, 2015: 521,427.5 ten thousand yuan), of which termination amount was 494,209.7 ten thousand yuan (31, December, 2015: 67,944.9 ten thousand yuan).

8 Notes to the consolidated financial statements (Continued)

(5) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	8,180,751.19	7,325,817.90
Less: bad debts	<u>1,214,979.95</u>	<u>946,756.34</u>
	<u>6,965,771.24</u>	<u>6,379,061.56</u>

(a) The ageing of accounts receivable bad debts are analysed below:

	31 December 2016	31 December 2015
Within 1 year	4,509,120.83	4,341,385.07
1 to 2 years	1,530,208.14	1,398,467.44
1 to 2 years	895,935.80	769,109.52
3 to 4 years	551,786.61	442,051.35
4 to 5 years	373,018.10	161,703.65
Over 5 years	<u>320,681.71</u>	<u>213,100.87</u>
	<u>8,180,751.19</u>	<u>7,325,817.90</u>

(b) The accounts receivable analyzed as below according to classification:

	31 December 2016			
	Amount	Accounting for remaining (%)	Provision for Bad debts	Accruing percentage (%)
Single amount is material and accrue provision for bad debts individually	631,352.04	7.72	243,183.57	38.52
Accruing provision for bad debts according to combination:				
Combination 1	5,486,955.95	67.07	842,422.95	15.35
Combination 2	1,874,203.70	22.91	0.00	0.00
Single amount is immaterial, but make individual provision for bad debts	<u>188,239.50</u>	<u>2.30</u>	<u>129,373.43</u>	<u>68.73</u>
	<u>8,180,751.19</u>	<u>100.00</u>	<u>1,214,979.95</u>	<u>--</u>

	31 December 2015			
	Amount	Accounting for remaining (%)	Provision for Bad debts	Accruing percentage (%)
Single amount is material and accrue provision for bad debts individually	328,259.76	4.48	118,287.04	36.03
Accruing provision for bad debts according to combination:				
Combination 1	5,306,583.23	72.44	749,872.38	14.13
Combination 2	1,584,910.03	21.63	0.00	0.00
Single amount is immaterial, but make individual provision for bad debts	<u>106,064.88</u>	<u>1.45</u>	<u>78,596.92</u>	<u>74.10</u>
	<u>7,325,817.90</u>	<u>100.00</u>	<u>946,756.34</u>	<u>--</u>

8 Notes to the consolidated financial statements (Continued)

(5) Accounts receivable (Continued)

- (c) On December 31, 2016, the amounts receivable for single material amount with individual provision for bad debts analyze as below:

Debt Unit	Amount	Provision for bad debts	Aging	Accruing percentage (%)	Reason
Unit 1	118,101.22	12,007.67	Over5 year	10.17	
Unit 2	102,895.92	46,070.80	2-3years	44.95	
Unit 3	57,876.66	28,938.33	4-5 years	49.69	The amount in cash in the future is lower than the book value.
Unit 4	51,718.85	32,680.22	3-4 years	63.19	
Unit 5	44,816.66	15,758.93	2-3 years	35.16	
Other Unit	255,942.73	107,727.62	Within 1 year	42.09	
	<u>631,352.04</u>	<u>243,183.57</u>			

- (d) According to the accruing provision for bad debts in combination 1, analyze the combination with aging debt as below :

31 December 2016				
	Amount	Accounting for remaining (%)	Provision for bad debts	Accruing percentage (%)
Within 1 year	3,387,719.75	61.73	169,385.99	5.00
1 to 2 years	1,037,339.87	18.91	103,733.99	10.00
1 to 2 years	472,247.54	8.61	141,674.26	30.00
3 to 4 years	272,027.08	4.96	136,013.54	50.00
4 to 5 years	130,032.65	2.37	104,026.12	80.00
Over 5 years	187,589.06	3.42	187,589.05	100.00
	<u>5,486,955.95</u>	<u>100.00</u>	<u>842,422.95</u>	--

8 Notes to the consolidated financial statements (Continued)

(5) Accounts receivable (Continued)

- (e) On December 31st 2016, the immaterial amounts of receivable with individual provision for bad debts analyze as below:

Debt Unit	Amount	Provision for bad debts	Aging	Accruing percentage (%)	Reason
Unit 1	36,066.44	18,846.24	2-3 years	52.25	Provision was made based on management assessment of current available evidence
Unit 2	12,977.18	4,712.47	2-3 years	36.31	Provision was made based on management assessment of current available evidence
Unit 3	11,679.27	4,248.89	3-4 years	36.38	Provision was made based on management assessment of current available evidence
Unit 4	10,947.20	9,545.10	1-2 years	87.19	Provision was made based on management assessment of current available evidence
Unit 5	10,218.49	10,218.49	1-2 years	100.00	Provision was made based on management assessment of current available evidence
Others	<u>106,350.92</u>	<u>81,802.24</u>	--	--	Provision was made based on management assessment of current available evidence
	<u>188,239.50</u>	<u>129,373.43</u>			

- (f) The write-off of accounts receivable in current year is 1,986.56 ten thousand yuan, the related matters have been approved.

- (g) The top 5 trade receivable amount as below:

Debt Unit	Amount	Provision for bad debts
Unit 1	326,179.38	35,621.36
Unit 2	166,764.38	
Unit 3	174,211.06	73,894.06
Unit 4	152,968.70	15,894.50
Unit 5	<u>136,671.87</u>	<u>33,646.48</u>
	<u>956,795.39</u>	<u>159,056.40</u>

- (g) By 31, December, 2016, the termination accounts receivable amount, which rarely all risk and pay have transferred to others in property, is 0 yuan (31, December, 2015:none).
- (h) The amount of restricted accounts receivable and the reasons for restriction are disclosed in Note 8 (25).

8 Notes to the consolidated financial statements (Continued)

(6) Prepayments

Analyze the prepaid amount aging as below:

	31 December 2016		31 December 2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	788,687.94	58.22	940,819.84	68.08
1 to 2 years	267,986.84	19.78	201,280.33	14.57
2 to 3 years	126,848.72	9.36	76,624.26	5.55
Above 3 years	171,076.85	12.63	162,982.79	11.80
	<u>1,354,600.35</u>	<u>100.00</u>	<u>1,381,707.22</u>	<u>100.00</u>

(a) The top 5 prepaid amount as below:

Creditor	Debtor	Amount	Reason
The Group	Unit 1	31,398.80	The project did not end
The Group	Unit 2	20,870.92	The project did not end
The Group	Unit 3	36,129.23	The project did not end
The Group	Unit 4	38,779.91	The project did not end
The Group	Unit 5	<u>50,400.00</u>	The project did not end
		<u>177,578.86</u>	

(7) Interest receivable

	31 December 2016	31 December 2015
Bank interest of fixed deposit	<u>2,666.57</u>	<u>1,164.44</u>
	<u>2,666.57</u>	<u>1,164.44</u>

(a) There is no significant overdue interest in this year.

8 Notes to the consolidated financial statements (Continued)

(8) Dividends receivables

	1st January 2016	Increased this year	Decreased this year	31 December 2016	Reasons for not drawing back
Dividends receivables for debt age within 1 year					
Ma'anshanJiahe Real Estate Co. Ltd.	800.00	140.00	940.00	-	
Wuhan Zhonghe Engineering & Technology Co., Ltd.	28.00		28.00	-	
Wuhan Iron and Steel Group Finance Company	25.20	26.80	52.00	-	
Tianjin MCC Tuanbo Urban-rural development Co., Ltd.	1,800.00		1,800.00	-	
Bank of Communications Co., Ltd.		7.03		7.03	No
Hebei Steel Group LuanxianSijiaying Iron Co., Ltd.		1,156.00		1,156.00	No
	<u>2,653.20</u>	<u>1,329.83</u>	<u>2,820.00</u>	<u>1,163.03</u>	
Dividends receivables for debt age over 1 year					
Ma'anshanJiahe Real Estate Co. Ltd.		700.00		700.00	No
Wuhan Zhonghe Engineering & Technology Co., Ltd.	72.00		72.00		
Tangshan XinPeng construction engineering detection Co., Ltd.	12.80			12.80	No
Tianjin China Metallurgical Heyuan Real Estate co., LTD	1,709.68			1,709.68	No
Hebei Steel Group Luan country Sijiaying iron mine Co., Ltd	69.60		69.60		
Tianjin MCC Tuanbo Urban-rural development Co., Ltd.		1,800.00		1,800.00	No
	<u>1,864.08</u>	<u>2,500.00</u>	<u>141.60</u>	<u>4,222.48</u>	
	<u>4,517.28</u>	<u>3,829.83</u>	<u>2,961.60</u>	<u>5,385.51</u>	

8 Notes to the consolidated financial statements (Continued)

(9) Other receivables

	31 December 2016	31 December 2015
Other receivables	3,690,025.81	3,400,566.88
Less: bad debts	306,707.83	251,805.13
	<u>3,383,317.98</u>	<u>3,148,761.75</u>

(a) The aging of other receivables is analysed as below:

	31 December 2016	31 December 2015
Within 1 year	1,908,114.39	2,007,554.86
1 to 2 years	827,486.62	833,647.21
2 to 3 years	594,715.07	247,990.79
3 to 4 years	180,881.68	120,178.87
4 to 5 years	74,237.03	53,117.21
Over 5 years	104,591.02	138,077.94
	<u>3,690,025.81</u>	<u>3,400,566.88</u>

(b) The category of other receivables is analysed as below:

	31 December 2016			
	Balance	Ratio in total amt(%)	Bad debts	Provision ratio (%)
Significant amounts of other receivables using specific identification method for provision for bad debts	254,442.23	6.90	99,383.35	39.06
Provision for bad debts in combination				
Combination 1	640,307.58	17.35	161,625.26	24.32
Combination 2	2,708,097.05	73.39	0.00	0.00
Insignificant amounts of other receivables using specific identification method for provision for bad debts	87,178.95	2.36	45,699.22	82.36
	<u>3,690,025.81</u>	<u>100.00</u>	<u>306,707.83</u>	--

	31 December 2015			
	Balance	Ratio in total amt(%)	Bad debts	Provision ratio (%)
Significant amounts of other receivables using specific identification method for provision for bad debts	141,457.56	4.16	51,470.44	36.39
Provision for bad debts in combination				
Combination 1	800,529.74	23.54	167,151.61	20.88
Combination 2	2,356,909.03	69.31	0.00	0.00
Insignificant amounts of other receivables using specific identification method for provision for bad debts	101,670.55	2.99	33,183.08	32.64
	<u>3,400,566.88</u>	<u>100.00</u>	<u>251,805.13</u>	--

8 Notes to the consolidated financial statements (Continued)

(9) Other receivables(Continued)

- (c) On 31 Dec 2016, insignificant amount of other receivables using specific identification method for provision for bad debts as follows:

Debt unit	Balance	Bad Debt	Aging	Provision Ratio (%)	Reason
Unit 1	123,872.50	37,161.75	Within 1 year	30.00	The amount in cash in the future is lower than the book value.
Unit 2	37,717.17	7,543.43	1-2 years	20.00	
Unit 3	26,205.00	2,520.50	4-5 years	9.62	
Unit 4	19,645.79	19,645.79	2-3 years	100.00	
Unit 5	18,889.41	18,889.41	4-5 years	100.00	
Others	28,112.36	13,622.47	-	48.46	
	<u>254,442.23</u>	<u>99,383.35</u>		--	

- (d) The ageing of other receivables of in combined provision for bad debts is analysed as below:

31 December 2016				
	Amount	Ratio in total amount (%)	Bad debts	Provision ratio(%)
Within 1 year	327,787.82	51.19	16,389.39	5.00
1 to 2 years	84,176.53	13.15	8,417.65	10.00
2 to 3 years	78,585.19	12.27	23,575.56	30.00
3 to 4 years	68,878.58	10.76	34,439.29	50.00
4 to 5 years	10,380.47	1.62	8,304.38	80.00
Over 5 years	70,498.99	11.01	70,498.99	100.00
	<u>640,307.58</u>	<u>100.00</u>	<u>161,625.26</u>	--

- (e) On 31 Dec 2016, insignificant amount of other receivables using specific identification method for provision for bad debts

Debtor	Balance	Bad Debt	Aging	Provision Ratio (%)	Reason
Unit 1	9,676.60	9,676.60	2-3 years	100.00	Accrued by the evidenceobtained
Unit 2	5,040.43	5,040.43	3-4 years	100.00	Accrued by the evidenceobtained
Unit 3	4,000.00	1,000.00	within 1 year	25.00	Accrued by the evidenceobtained
Unit 4	3,554.85	3,554.85	1-2 years	100.00	
Unit 5	3,466.42	2,773.14	3-4 years	80.00	Accrued by the evidenceobtained
Others	61,440.65	23,654.20	--	--	Accrued by the evidenceobtained
	<u>87,178.95</u>	<u>45,699.22</u>			

8 Notes to the consolidated financial statements(Continued)

(9) Other receivables(Continued)

(f) The write-off of accounts receivable in current year is 26.14 ten thousand yuan, the related matters have been approved.

(g) The 5 biggest of ending balance:

Debtor	Ending balance	Bad debt
Unit 1	200,000.00	0.00
Unit 2	139,723.24	0.00
Unit 3	210,000.00	0.00
Unit 4	254,294.29	0.00
Unit 5	155,054.74	0.00
	<u>959,072.27</u>	<u>0.00</u>

(h) On 31, December, 2016, there is no termination of other receivables that financial assets transferring cause. (31, December, 2015: none).

(i) The amount of restricted other receivables and the reasons for restriction are disclosed in Note 8 (25).

8 Notes to the consolidated financial statements(Continued)

(10) Inventories

(a) Inventories by category

	31 December 2016			31 December 2015		
	Balance	Reduction reserves	Book value	Balance	Reduction reserves	Book value
Raw material	315,516.15	9,032.28	306,483.87	240,402.84	10,868.52	229,534.32
Work in progress	290,207.96	3,640.56	286,567.40	300,042.27	10,469.99	289,572.28
Finished goods	202,397.75	14,048.62	188,349.13	255,513.20	28,534.12	226,979.08
Turnover materials	33,234.11	820.21	32,413.90	32,394.82	936.47	31,458.35
Construction contract-completed and unsettled	6,302,049.49	159,799.31	6,142,250.18	5,275,322.23	120,747.48	5,154,574.75
Cost of Real Estate development (i)	4,381,734.10	18,886.04	4,362,848.06	4,408,432.54	21,863.02	4,386,569.52
Real Estate development products(ii)	1,015,043.01	6,928.94	1,008,114.07	1,258,437.20	5,999.99	1,252,437.21
Others	60,156.42	23.74	60,132.68	60,125.39	13.21	60,112.18
	<u>12,600,338.99</u>	<u>213,179.70</u>	<u>12,387,159.29</u>	<u>11,830,670.49</u>	<u>199,432.80</u>	<u>11,631,237.69</u>

(i) Cost of Real Estate development details

	Start time	Predicted completion time	Predicted total investment	31 Dec. 2016	31 Dec. 2015
Nanjing XiaguanBinjiang project	2011/11/1	2020/4/30	1,672,827.87	1,048,451.30	982,645.66
Tianjin New 8 Dali District Qixianli project	2014/12/25	2017/6/30	637,570.00	523,706.27	481,147.06
PodongBrazil Apartment project	2015/6/30	2018/12/31	368,604.00	293,913.66	251,615.08
SingaporeTampines 10 streets Project	2013/10/16	2018/10/16	275,592.20	209,221.54	184,858.94
MCC • Tongluotai (Chongqing TieShanPingProject)	2014/11/1	2020/12/31	422,046.00	193,128.09	179,010.92
QinhaiYunshu project	2011/8/8	2018/12/31	440,000.00	168,821.88	144,302.94
Beijing DaxingDistrict JiugongGreen A1 Plot project	2013/9/13	2017/6/30	508,200.00	158,302.86	345,873.82
MCC No.30 Street project	2017/5/15	2019/12/31	263,974.93	141,120.61	103.28
SingaporeTampines D block Apartment project	2015/10/1	2019/11/30	200,858.14	134,429.41	110,018.42
Baotou MCC Campus South Road Community projects	2011/8/1	2019/12/31	410,000.00	126,232.12	163,712.68
Tangshan FengrunGengyangNew City project	2010/3/1	2020/12/31	1,055,000.00	125,582.83	115516.5011
HengqinKouan Base project	2015/3/1	2018/12/31	460,000.00	113,790.46	1,779.20
Zhuhai HengqinNew Area Headquarters Building in Guangdong Province	2016/12/1	2019/11/30	869,397.00	75,288.88	70,512.55
MCC Mengxianghui Square	2015/10/8	2017/10/21	122,305.63	70,242.61	67188.70484
Hong Kong Tsuen Wan project	2015/7/1	2017/12/31	115,856.00	65,857.04	52,076.22
MCCBinjiangInternational City Phase I in Qiqihaer, HelongjiangProvince	2010/10/16	2018/10/15	161,782.00	62,758.92	57,316.92
Xi 'an MMC Chang'anDadu project	2013/3/15	2017/12/31	116,080.64	59,439.54	74,022.20
MCC Shanghejun project	2014/6/20	2017/12/31	98,593.00	52,190.40	41,937.81
Zhenjiang Yucuiyuan	2014/6/1	2019/6/30	120,000.00	43,029.76	71,664.51
MCC Huangshi Park in Huangshi City, Hubei Province	2015/1/1	2018/12/31	135,189.92	42,285.08	36,066.10

8 Notes to the consolidated financial statements(Continued)

(10) Inventories(Continued)

(a) Inventories by category(Continued)

(i) Cost of Real Estate development details

	Start time	Predicted completion time	Predicted total investment	31 Dec. 2015	31 Dec. 2014
MCC: phase I, II of Shui'an	2013/12/31	2017/12/31	80,000.00	42,070.01	42,070.01
Yudaiwan project in Qinhuangdai City, Hebei Province	2008/12/23	2017/12/31	367,507.00	39,305.52	48,856.45
Taiyuan North Street LiuxiGarden in Shanxi Province	2008/3/1	2017/12/31	130,226.32	37,250.81	34,562.93
Tangye Phoenix City	2013/9/1	2017/12/31	60,000.00	33,445.92	42,248.10
Shanghai Jinshan- MCC Maple County Garden Phase II	2015/12/31	2017/12/31	51,795.50	33,192.89	29,307.03
Taihang Street project	2010/4/1	2017/12/31	267,285.77	31,466.27	18,707.48
MCC Shanghewan project	2015/5/1	2018/5/1	68,175.00	27,063.83	23,470.15
Ma'anshanJin Fu Garden-affordable Housing projects- Phase II	2013/7/1	2017/12/31	112,000.00	24,715.80	21,379.69
Zhenjiang MCC Blue Bay	2011/6/3	2017/12/31	193,954.00	24,526.06	42,246.54
MCC Chengbang International Phase Ilin Dadukou District, Chongqing City	2011/12/1	2017/12/31	138,000.00	23,945.23	52,838.56
MCC South International Community	2014/1/1	2017/4/30	140,000.00	23,743.29	32,647.28
MCC • Baizhi Mountain	2014/4/1	2024/4/1	400,000.00	23,310.78	10,511.14
Ma'anshanZhongdingyuecheng	2011/9/8	2017/12/31	150,000.00	22,184.29	22,109.05
Others	/	/	6,749,206.98	287,720.14	556,108.55
			<u>17,362,027.89</u>	<u>4,381,734.09</u>	<u>4,408,432.49</u>

On 31 December 2016, capitalized borrowing expenses of costs of Real Estate development included in inventory is RMB 496,716.58ten thousand yuan (Dec 31,2015:466,039.77 ten thousand yuan) The borrowing costs of the capitalization is in RMB 132,471.5ten thousand yuan this year (217,777.6ten thousand yuan in 2015), the rate used to determine the the borrowing costs of capitalization was 2.75% to 6.86% (3.85% to 7.54% in 2015).

8 Notes to the consolidated financial statements(Continued)

(10) Inventories (Continued)

(a) Inventories by category(Continued)

(ii) Real Estate development products details

	Time of completion	01 Jan 2016	Current period addition	Current period reduction	31 Dec 2016
MCCBinjiangInternational City Phase I in Qiqihaer, HelongjiangProvince	2015/12/18	81,710.07	0.00	5,374.24	76,335.83
DalianInternational Commerce City	2014/12/31	90,278.95	0.00	22,006.78	68,272.17
MCC City-states International Phase I in DadukouDistrict , Chongqing	2015/10/7	37,644.67	41,676.93	25,966.74	53,354.86
Zhenjiang MCC Blue Bay Tangshan WutongRoad Development projects	2016/12/31	29,757.70	25,154.81	3,066.32	51,846.19
The New Century Plaza project in LongshaDistic, Qiqihaer city, Heilongjiang Province	2012/10/31	52,090.63	192.00	2,526.64	49,755.99
	2013/12/30	33,657.57	7,862.80	0.00	41,520.37
Shaoxing Wutong Garden Phase III	2015/6/30	42,223.51	1,711.11	3,338.31	40,596.32
QinhaiYunshu	2014/10/31	39,513.89	0.00	0.00	39,513.89
Ma'anshanZhongdingyuecheng Baotou MCC Campus South Road Community projects	2015/12/31	61,477.42	0.00	24,556.39	36,921.03
Anshan YuluanwanPhase IICommodity House	2014/11/1	3,563.84	104,216.93	72,457.13	35,323.64
Zhuhai HengqinNew Area Headquarters Building in Guangdong Province	2014/10/25	31,725.10	1,346.26	1,788.07	31,283.29
Anshan YuluanwanPhase IIICommodity House	2016/6/30	0.00	113,508.92	85,388.76	28,120.16
	2017/12/31	0.00	35,056.77	8,653.03	26,403.74
Xi'an MCC chang'anDadu phase I	2013/12/25	29,895.89	0.00	3,785.72	26,110.18
Zhenjiang MCC Yucuiyuan phase I Tangshan HelianWorkshop District Renovated projects	2016/12/15	0.00	39,935.94	14,381.40	25,554.54
	2012/6/30	22,009.94	0.00	0.00	22,009.94
MCC-Chongqing morning	2012/12/28	25,301.49	0.00	3,783.49	21,518.00
Pixian MCC Countryside world	2013/5/18	22,504.20	206.46	2,502.42	20,208.24
Others	/	655,082.31	768,243.03	1,102,930.70	320,394.65
	/	1,258,437.20	1,139,111.97	1,382,506.15	1,015,043.01

8 Notes to the consolidated financial statements(Continued)

(10) Inventories (Continued)

(b) Inventory falling price reserves:

	1 Jan 2016	Current year additions		Current year reductions			31 Dec 2016
		Accrual	Others	Back	Resell	Others	
Raw material	10,868.52	6,248.82	0.00	6,563.08	226.23	1,295.75	9,032.28
Work in progress	10,469.99	2,274.15	0.00	0.00	0.00	9,103.58	3,640.56
Finished goods	28,534.12	20,979.45	1,053.18	5.16	0.00	36,512.97	14,048.62
Turnover materials	936.47	93.49	0.00	209.75	0.00	0.00	820.21
Construction contract-completed and unsettled	120,747.48	43,589.75	198.19	50.15	102.53	4,583.43	159,799.31
Cost of Real Estate development (i)	21,863.02	0.00	0.00	0.00	0.00	2,976.98	18,886.04
Real Estate development products(ii)	5,999.99	1,727.26	0.00	0.00	0.00	798.31	6,928.94
Others	13.21	10.54	0.00	0.00	0.00	0.00	23.75
	<u>199,432.80</u>	<u>74,923.46</u>	<u>1,251.37</u>	<u>6,828.14</u>	<u>328.76</u>	<u>55,271.02</u>	<u>213,179.71</u>

(c) Amounts due from construction contract-completed and unsettled in the end of the year:

Item	Balance
Accumulated incurred cost	70,146,657.04
Accumulated confirmed gross margin	5,496,976.30
Less: anticipated loss	159,799.31
Settled amount	69,341,583.85
Assets due from customers for contract work	6,142,250.18

Due to some unpredictable reasons like extreme weather of Australia, the Sino Iron project in Western Australia which is undertook by MCC Mining(Western Australia) Pty Ltd. ("MCC WA") (a wholly owned subsidiary of the Group) had been postponed in 2012. The Group had negotiated with the China CITIC Group Limited ("CITIC Group" is the parent company of CITIC Pacific Limited) in respect of project delays and the total contract price of cost overruns. CITIC Group had agreed that the construction costs associated with load linkage test of the second main process line by "Western Australia SINO iron ore EPC contracting supplemental agreement (III)" signed on 30 December, 2011 should be controlled in U.S. dollars 4.357 billion. The actual total cost of the project construction would be identified as the final contract amount after passing the audit of the third-party. According to the above consensus with CITIC Group on the contract price and the estimated total cost, the Group had confirmed that the project contract lost U.S. dollars 0.481 billion for the year in 2012, which is equivalent to about RMB 3.035 billion Yuan.

8 Notes to the consolidated financial statements(Continued)

(10) Inventories (Continued)

Up to December 31, 2013, the first and second production lines of project which undertook by MCC Western Australia had been put into operation. MCC Mining(Western Australia) Pty Ltd signed a "Western Australia SINO iron ore EPC contracting supplemental agreement (IV) "(" supplemental Agreement (IV)") with CITIC Pacific Limited, a wholly owned subsidiary of Sino Iron Pty Ltd. ("Owner") in December 24, 2013. Accordingly, the first, second production lines of the project and related construction projects should be handed over to the owners by MCC Mining(Western Australia) Pty Ltd at the end of 2013; construction, installation and commissioning work of the original general contractor of MCC WA would be ended. For the construction of the third to sixth production lines, MCC WA Group and a subsidiary of the Group, the MCC Northern Engineering & Technology Co., Ltd. have signed with the owners respectively about new "Project Management Services Agreement" and "Engineering design, equipment procurement management technology services agreement" for providing follow-up technical service and management services for the owners. Meanwhile, both sides have agreed jointly to entrust an independent third party to audit the total expenditure of the projects completed, the rationality, and the reasons and responsibilities of extension of projects. The two sides would refer the audit results of the third-party for the final project settlement.

On December 31, 2016, the consensus between the Group and CITIC Group, the related construction cost should be controlled under 4.357 billion dollars, is still effective. Based on the update evaluation of the construction cost, the Group the estimate of construction cost hasnot changed by compared with 2012 end, therefore, the Group could not adjust the confirmed contract loss.

The results havenot be confirmed because the final contract amount needs to be audited by the third party. After the auditing work finished, the Group and CITIC Group, and owners would actively negotiate for the final amount, and do the relevant accounting treatment.

(d) The amount of restricted inventories and the reason for restriction are disclosed in Note 8(25).

(11) Non-current assets due within 1 year

	31 December. 2016	31 December. 2015
Long-term receivables within 1 year	374,563.55	705,478.11
	<u>374,563.55</u>	<u>705,478.11</u>

(12) Other current assets

	31 December. 2016	31 December. 2015
Prepaid taxes	151,546.56	22,761.73
Others	15.18	875.95
	<u>151,561.74</u>	<u>23,637.68</u>

8 Notes to the consolidated financial statements(Continued)

(13) Financial assets available for sale

Financial assets available for sale conditions:

	31 December. 2016			31 December. 2015		
	Balance	Reduction reserves	Book value	Balance	Reduction reserves	Book value
Equity instrument for sale	279,962.39	9,863.56	270,098.83	173,064.25	10,852.26	162,211.99
---by fair value	153,149.4	0.00	153,149.40	48,044.82	0.00	48,044.82
---by cost	126,812.99	9,863.56	116,949.43	125,019.43	10,852.26	114,167.17
Others	0.00	0.00	0.00	10,000.00	0.00	10,000.00
	<u>279,962.39</u>	<u>9,863.56</u>	<u>270,098.83</u>	<u>183,064.25</u>	<u>10,852.26</u>	<u>172,211.99</u>

(a) Financial assets available for sale by fair value in the year end

Item	Equity instrument for sale	Others	Total
The cost of Equity instruments/ Amortized cost of debt instruments	124,325.60	0.00	124,325.60
Fair value	153,149.40	0.00	153,149.40
The fair value amount of accumulated other comprehensive income	28,823.80	0.00	28,823.80
Accrued Reduction reserves	0.00	0.00	0.00

Above balance of Financial assets available for sale has adjusted by fair value in the year end, which is the closing price by stock exchange in final market day.

(b) In the report period, there is no condition that the fair values seriously or not temporarily depreciate but not arrue reduction reserves.

8 Notes to the consolidated financial statements(Continued)

(14) Held-to-maturity investments

	31 December. 2016			31 December. 2015		
	Balance	Reduction reserves	Book value	Balance	Reduction reserves	Book value
Government loan	14.35	14.35	0.00	14.35	14.35	0.00
Others	2.03	2.03	0.00	397.15	395.12	2.03
Less: Current portion of held-to-maturity investments within 1 year	0.00	0.00	0.00	0.00	0.00	0.00
	<u>16.38</u>	<u>16.38</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2.03</u>

(a) There is no significant held-to-maturity investment in this year.

(15) Long-term accounts receivable

	31 December. 2016			31 December. 2015			Discount rate
	Balance	Reduction reserves	Book value	Balance	Reduction reserves	Book value	
Building-transferring("BT") project fund	1,525,466.63	23,137.31	1,502,329.32	1,507,775.95	13,995.73	1,493,780.22	/
Others	0.00	0.00	0.00	0.00	0.00	0.00	/
Less: Long-term receivables should be mature within 1 year	374,563.55	0.00	374,563.55	705,478.11	0.00	705,478.11	/
	<u>1,150,903.08</u>	<u>23,137.31</u>	<u>1,127,765.77</u>	<u>802,297.84</u>	<u>13,995.73</u>	<u>788,302.11</u>	<u>/</u>

(a) MCC RamuNiCo Limited ("Ramu NICO"), a subsidiary of Metallurgical Corporation of China LTD whose ultimate holding is 67.02%, signed a agreement with the three companies ("PNG Party") of Papua New Guinea ("PNG") in 2005 to cooperate and develop Ramu NICO project (the "Project"), the project is a Joint Venture located in Papua New Guinea, mainly for the mining and processing operations the nickel and cobalt mine located in Papua New Guinea. Before 2005, the exploration and pre-feasibility studies and other preparatory work of the project were carried out by the PNG Party, PNG party was 100% owners. According to the "Ramunico project master agreement" signed in 2005, RamuNICO involved in the project and was responsible for development and construction of the project. According above agreement, when Ramu NICO operated the project, Ramu NICO and PNG party would enjoy the equity 85% and 15% separately. PNG party has the right to obtain a 15% interest in the project in 15 years and hold 15% obligation of follow-up operating cost since the beginning of notice day, PNG Party could enjoy 15% of product when make a promise that according to the amount that undertake history development cost based on the agreement by all sides. Before PNG Party noticed the Ramu NICO, all expenditure and construction expenses would be taken by Ramu NICO, and also all debt of project, and enjoy 100% mining products. After the PNG party complements its historical development cost which should be borne by them, or after 13 years since the notice day, they would obtain extra 5% interest for free. In addition, after obtaining a 20% interest in the above, the PNG party could also choose to acquire additional interests in a total of 15% of the project in accordance with the fair market price.

8 Notes to the consolidated financial statements(Continued)

(15) Long-term accounts receivable(Continued)

- (a) By December 31, 2014, PNG Party hadn't made above notice, the Group would consolidate the assets, liabilities, income, cost and expenses in development and construction of project.

In 2015, PNG Party had noticed the Rame NICO, would obtain 15% equity of minning product, and it should be taken effect from January 1, 2015. The final project history development cost was 0.19 billion dollars by two sides. The Group would take it as long-term receivables, and meanwhile reduce the cost. The amount would pay by installments according to several portion of the future sales PNG Party enjoy. Before PNG Party could pay off the above amount, the Group should charge interest according to agreed rate. And PNG Party should born 15% of operating cost. From January 1, 2015, the mining product portion rate by Rame NICO could reduce 85%, and accounting the related income, cost and expenses by holding portion. On December 31, 2015, PNG Party have not complement its historical development cost which should be borne by them, the balance amount of long-term receivables converts into Renminbi was 1.31 billion.

- (b) On December 31, 2016, the Group have terminated long-term receivables 180,000 ten thousand yuan because financial assets transfer. (December 31, 2015: 358,000). The group considered that the fair value is non-material.

(16) Long-term equity investment

	1 Jan 2016	Current year additions	Current year reduction	31 Dec 2016
Joint ventures investment (a)	61,905.79	72,332.13	2,171.17	132,066.75
Associates investment (b)	335,982.84	82,817.16	28,146.71	390,653.29
	<u>397,888.63</u>	<u>155,149.29</u>	<u>30,317.88</u>	<u>522,720.04</u>
Less: Long-term equity investment reduction reserves	5,689.57	0.00	0.00	5,689.57
	<u>392,199.06</u>	<u>155,149.29</u>	<u>30,317.88</u>	<u>517,030.47</u>

8 Notes to the consolidated financial statements(Continued)

(16) Long-term equity investment(Continued)

	1 Jan 2016	Current year additions and reduction								31 Dec 2016	Reduction reserves in the year ended
		Investment addition	Investment reduction	Income from Investment under equity method	Adjustment of other Comprehensive Income	The change of other equity	Announced cash dividend or profit	Accrued Reduc tion reserves	Others		
1. Joint ventures investment											
Tianjin Zhongji Equipment Production Co., Ltd.	34,837.62	0.00	0.00	-4,976.23	0.00	0.00	0.00	0.00	0.00	29,861.39	0.00
Yinchuan Huaiyuan Road Underground Comprehensive Tunnel Construction Management Co., Ltd.	0.00	24,376.02	0.00	2.50	0.00	0.00	0.00	0.00	0.00	24,378.52	0.00
Beijing New Century Hotel Co., Ltd.	20,008.75	0.00	0.00	363.97	0.00	0.00	1,091.17	0.00	0.00	19,281.55	0.00
Guizhou Ziwang Highway Construction Co., Ltd.	0.00	15,294.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15,294.58	0.00
Guizhou Sanli Highway Construction Co., Ltd.	0.00	13,574.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13,574.84	0.00
Others	7,059.42	23,894.47	1,080.00	-198.02	0.00	0.00	0.00	0.00	0.00	29,675.87	0.00
	<u>61,905.79</u>	<u>77,139.91</u>	<u>1,080.00</u>	<u>-4,807.78</u>	<u>0.00</u>	<u>0.00</u>	<u>1,091.17</u>	<u>0.00</u>	<u>0.00</u>	<u>132,066.75</u>	<u>0.00</u>
2. Associates investment											
Tianjin SERI Machinery Ltd.	72,021.51	0.00	0.00	80.10	0.00	0.00	0.00	0.00	0.00	72,101.61	0.00
Shigang CERI Equipment Technology Co., Ltd.	62,252.57	0.00	0.00	-14,244.65	0.00	0.00	0.00	0.00	0.00	48,007.92	0.00
Nanjing Da Ming Culture Co., Ltd.	29,911.20	0.00	0.00	-84.57	0.00	0.00	0.00	0.00	0.00	29,826.63	0.00
Tianjin MCC Tuanbo Urban and Rural Development Co., Ltd.	20,557.75	0.00	0.00	1,764.71	0.00	0.00	0.00	0.00	0.00	22,322.46	0.00
Baotou MCC Real Estate Co., Ltd.	20,251.02	0.00	0.00	-815.94	0.00	0.00	0.00	0.00	0.00	19,435.08	0.00
Others	130,988.79	90,206.64	25,390.69	6,192.47	0.00	-281.63	2,756.01	0.00	0.00	198,959.59	5,689.59
	<u>335,982.84</u>	<u>90,206.64</u>	<u>25,390.69</u>	<u>-7,107.88</u>	<u>0.00</u>	<u>-281.63</u>	<u>2,756.01</u>	<u>0.00</u>	<u>0.00</u>	<u>390,653.29</u>	<u>5,689.59</u>
Total	<u>397,888.63</u>	<u>167,346.55</u>	<u>26,470.69</u>	<u>-11,915.66</u>	<u>0.00</u>	<u>-281.63</u>	<u>3,847.18</u>	<u>0.00</u>	<u>0.00</u>	<u>522,720.04</u>	<u>5,689.59</u>

8 Notes to the consolidated financial statements(Continued)

(16) Long-term equity investment(Continued)

(a) Main financial information of significant Joint ventures investment

	Current assets	Non-current assets	Total assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Net assets	Portion of net assets according to holding right
Tianjin Zhongji Equipment Production Co.,Ltd.	152,916.41	151,916.75	304,833.16	185,528.93	59,880.00	245,408.93	59,424.23	29,712.12
Yinchuan Huaiyuan Road Underground Comprehensive Tunnel Construction Management Col, Ltd.	29,853.60	0.00	29,853.60	0.00	0.00	0.00	29,853.60	20,897.52
BeijingNew Century Hotel Co.,Ltd.	2,589.33	15,162.80	17,752.13	6,575.09	0.00	6,575.09	11,177.04	4,470.82
GuizhouZiwanHighway Construction Co., Ltd.	83,892.12	31,689.55	115,581.67	287.09	0.00	287.09	115,294.58	15,294.58
GuizhouSanli Highway Construction Co., Ltd.	55,414.89	47,098.04	102,512.94	138.10	0.00	138.10	102,374.84	13,574.84

	Balance of equity Investment	Operating Revenue	Financial Expenses	Income Tax Expense	Net Profit	other Comprehensive Income	The Total Comprehensive Income	The dividend from Joint ventures company
Tianjin Zhongji Equipment Production Co.,Ltd.	29,861.39	79,062.84	7,197.16	0.28	-9,952.47	0.00	-9,952.47	0.00
Yinchuan Huaiyuan Road Underground Comprehensive Tunnel Construction Management Col, Ltd.	24,378.52	0.00	-3.58	0.00	3.58	0.00	3.58	0.00
BeijingNew Century Hotel Co.,Ltd.	13,584.88	21,808.71	160.71	856.82	2,523.15	0.00	2,523.15	701.47
GuizhouZiwanHighway Construction Co., Ltd.	15,294.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GuizhouSanli Highway Construction Co., Ltd.	13,574.84	0.00	0.00	0.00	0.00	0.00	0.00	0.00

8 Notes to the consolidated financial statements(Continued)

(16) Long-term equity investment(Continued)

(b) Main financial information of significant Associates investment

	Current assets	Non-current assets	Total assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Net assets	Portion of net assets according to holding right
Tianjin SERI Machinery Ltd.	211,536.55	347,526.92	559,063.47	346,784.15	68,076.11	414,860.26	144,203.21	72,101.61
Shigang CERI Equipment Technology Co., Ltd.	178,254.08	381,818.79	560,072.87	352,124.94	107,739.61	459,864.55	100,208.32	49,059.99
Nanjing Da Ming Culture Co.,Ltd.	3,817.26	354,356.40	358,173.67	64,073.11	233,072.16	297,145.27	61,028.39	29,822.85
Tianjin MCC Tuanbo Urban and Rural Development Co., Ltd.	544,630.76	42.07	544,672.83	105,698.26	364,566.37	470,264.63	74,408.20	22,322.46
Baotou MCC Real Estate Co., Ltd	707,622.46	143.34	707,765.80	680,235.63	4,000.00	684,235.63	23,530.18	8,470.86

	Balance of equity Investment	Operating Revenue	Financial Expenses	Income Tax Expense	Net Profit	Other Comprehensive Income	The Total Comprehensive Income	The dividend from Associates in vestment company
Tianjin SERI Machinery Ltd.	72,101.61	121,402.22	13,413.51	59.35	160.20	0.00	160.20	0.00
Shigang CERI Equipment Technology Co., Ltd.	49,059.99	171,903.75	2,998.65	0.00	-29,931.29	0.00	-29,931.29	0.00
Nanjing Da Ming Culture Co.,Ltd.	29,826.63	1,022.37	4.74	0.00	-289.87	0.00	-289.87	0.00
Tianjin MCC Tuanbo Urban and Rural Development Co., Ltd.	22,322.46	64,841.26	-157.20	2,362.20	7,086.61	0.00	7,086.61	0.00
Baotou MCC Real Estate Co., Ltd	8,470.86	1,063.59	525.34	0.00	-2,259.65	0.00	-2,259.65	0.00

8 Notes to the consolidated financial statements(Continued)

(17) Property for Investment

Measured by cost:

	Buildings	Land use rights	Total
Cost			
1 January 2016	168,525.20	162,124.50	330,649.70
Current year additions	43,503.31	3.42	43,506.73
Current year disposals	-102,344.17	106,533.85	4,189.68
31 December 2016	<u>314,372.68</u>	<u>55,594.07</u>	<u>369,966.75</u>
Accumulated depreciation/amortisation			
1 January 2016	63,609.98	21,646.07	85,256.05
Current year additions	8,333.14	1,316.00	9,649.14
Current year disposals	-7,371.28	14,336.92	6,965.65
31 December 2016	<u>79,314.40</u>	<u>8,625.15</u>	<u>87,939.55</u>
Provision for impairment			
1 January 2016	24,269.87	0.00	24,269.87
Current year additions	0.00	0.00	0.00
Current year disposals	35.58	0.00	35.58
31 December 2016	<u>24,234.29</u>	<u>0.00</u>	<u>24,234.29</u>
Net book value			
31 December 2016	<u>210,823.99</u>	<u>46,968.92</u>	<u>257,792.91</u>
31 December 2015	<u>80,645.35</u>	<u>140,478.43</u>	<u>221,123.78</u>

- (a) The amount of restricted investment properties and the reasons for restriction are disclosed in Note 8(25).

8 Notes to the consolidated financial statements(Continued)

(18) Fixed assets

	Buildings	Temporary buildings structure	Motor vehicles	Machinery and equipment	Office equipment and others	Total
Cost						
1 January 2016	2,433,908.75	74,683.42	250,368.65	2,430,393.52	307,227.72	5,496,582.06
Current year additions	104,744.68	13,318.46	14,594.20	178,211.31	41,370.13	352,238.78
Current year disposals	23,244.12	5,221.59	22,510.91	103,895.47	1,527.88	156,399.97
31 December 2016	2,515,409.31	82,780.29	242,451.94	2,504,709.36	347,069.97	5,692,420.87
Accumulated depreciation/amortisation						
1 January 2016	524,818.09	45,754.85	156,509.25	1,048,976.53	112,949.18	1,889,007.91
Current year additions	83,782.77	11,789.75	20,092.06	172,369.35	21,383.69	309,417.62
Current year disposals	15,202.96	2,878.33	19,319.19	43,914.90	3,219.00	84,534.38
31 December 2016	593,397.90	54,666.27	157,282.12	1,177,430.98	131,113.87	2,113,891.14
Provision for impairment						
1 January 2016	106,524.13	0.00	4,019.19	146,208.05	11,997.47	268,748.84
Current year additions	2,799.63	0.00	90.41	6,555.70	728.82	10,174.57
Current year disposals	2,880.41	0.00	288.03	5,949.25	117.48	9,235.17
31 December 2016	106,443.35	0.00	3,821.57	146,814.49	12,608.82	269,688.23
Net book value						
31 December 2016	1,815,568.06	28,114.02	81,348.25	1,180,463.89	203,347.28	3,308,841.50
31 December 2015	1,802,566.53	28,928.57	89,840.21	1,235,208.94	182,281.06	3,338,825.31

(a) The amount of restricted fixed assets and the reasons for restriction are disclosed in Note 8(25).

(b) There is no divided into owns fixed assets for sale in 2016.

(c) Temporarily idle fixed assets

Item	The original book value	Accumulated depreciation	Provision for diminution in value	Book value	Notes
Buildings	2,091.53	1,889.51	0.00	202.02	Seasonal shutdown or idle
Machinery equipment	8,266.63	2,810.51	4,640.84	815.29	Seasonal shutdown or idle
Office equipment and others	163.43	101.32	55.09	7.00	Seasonal shutdown or idle

(d) The rented fixed assets through the financing lease

Item	Cost	Accumulated depreciation	Provision for impairment	Book value
Machinery equipment	66,586.73	18,549.26	0.00	48,037.47

8 Notes to the consolidated financial statements(Continued)

(18) Fixed assets(Continued)

(e) Rent out the fixed assets by operating lease

Item	Year ending book value
Machinery equipment	5,922.51
Transportation equipment	2,956.69

(f) Fixed assets which has not completed the property right certificate

Until December 31, 2016, the building that the book value was about RMB 6,617.32 ten thousand yuan (original value: RMB 8,299.04 ten thousand yuan) of houses and buildings has not yet completed the house property right card (December 31, 2015, the building that the book value was about RMB 20,880.17 ten thousand yuan (original value: RMB 25,592.47 ten thousand yuan)).

Item	Book value	Reason of not completed the property right certificate
China HuaYe Group Office building in Tianjin	5,002.28	In progress
China HuaYe Group Office building in Beijing	1,615.04	In progress

(g) The depreciation expense in 2016 was RMB 286,001.96 ten thousand yuan (in 2015 was RMB 291,399.68 ten thousand yuan), which accounted into operation cost, selling expenses and administration expense in 2016 was RMB198,411.93 ten thousand yuan, RMB 1,654.18 ten thousand yuan and RMB 66,913.91 yuan(in 2015 was RMB 196,959.12 ten thousand yuan, RMB 1,445.97 ten thousand yuan and RMB 65,910.38yuan).

(h) The Group has provision for the impairment of fixed assets RMB 4,886.99ten thousand yuan until Dec 31, 2016(RMB268,748.84 ten thousand yuan in 2015).

(i) Due to the price of polycrystalline silicon has been extended depressed in the market, the gross profit margin is negative, the individually fixed assets of the Company's subsidiary, Luoyang China Silicon Corporation Ltd (hereinafter referred to as "Luoyang Sino Sico") existed an indication of impairment.

The Group executed impairment evaluation in accordance with estimated recoverable amount of the related assets. Estimated recoverable amount is assessed based on the present value of future cash flows.Future cash flows is obtained based on estimated production capacity, annual plans, the future price of silicon forecast, expected revenue growth and gross margin as well as the forecasts of productive life. Up to Dec, 31, 2015, based on the impairment assessment, management layer of the Group have made provision for impairment48,611 ten thousand yuan. Dec, 31, 2016, the Group calculated present value of recoverable amount in accordance with financial budgets approved by management layer and 15.05% of pre-tax discount rate (2015: 15.76%). According to the assessment result, the Group do not need to prepare provision for impairment in 2016 (2015: RMB 5,039 ten thousand yuan).The fixed assets belong to resources segment.

8 Notes to the consolidated financial statements(Continued)

(18) Fixed assets(Continued)

- (k) Due to the price of ni-co has been extended depressed in the international metal market,the Ramu NICO Project of MCC Jinji Mining Development Corporation existed an indication of impairment.Based on the impairment assessment, management layer of the Group have made provision for impairment was 65,618 ten thousand.On Decemeber, 31, 2016, the balance value of the fixed assets was 990,524 ten thousand yuan. The Group hadexecuted impairment evaluationbased on the present value of future cash flows and calculated in accordance with 5 years financial budgets approved by management layer and 14.29% of pre-tax discount rate. Future cash flows is obtained based on estimated production capacity, annual plans, the future price of nickel and cobalt forecast, expected revenue growth and gross margin as well as the forecasts of productive life, and the influnces by PNG Party execution right. Based on the impairment assessment, management layer of the Group have made noneprovision for impairment (2015: approxiemately65,618 ten thousand yuan).

December, 31, 2016, the amount of provision for impairment of fixed assets related to Ramu NICO Project was 72,947 ten thousand yuan, which included 7,465 ten thousand yuan increase that caused by exchange rate changes.The fixed assets belong to resources segment.

(19) Construction in progress

	31 December 2016			31 December 2015		
	Balance	Reduction reserves	Book value	Balance	Reduction reserves	Book value
Infrastructure Projece of MJAM	103,370.84	0.00	103,370.84	94,142.78	0.00	94,142.78
Office Building Renovation of China Nonferrous Engineering co., LTD.	48,734.08	0.00	48,734.08	72,948.23	0.00	72,948.23
ZhongyeChangtianScience and Technology Industrial Park Office Building	36,361.75	0.00	36,361.75	31,085.09	0.00	31,085.09
Duda Lead-zinc Project	81,509.14	60,320.25	21,188.90	81,008.00	60,320.25	20,687.75
Slag Line remould cement production line project	18,547.71	0.00	18,547.71	18,524.57	0.00	18,524.57
WISCODRI building Project	17,472.91	0.00	17,472.91	18,284.85	0.00	18,284.85
CISDI Chengdu Research and Development andDesign Center	15,956.55	0.00	15,956.55	10,864.42	0.00	10,864.42
Baotou Laobeiliang Comprehensive Tunnel Project	15,100.43	0.00	15,100.43	7,870.66	0.00	7,870.66
City Environmental Production Research Building	6,708.16	0.00	6,708.16	7,551.90	0.00	7,551.90
Manufacture Base of Mega Multi-way die forging and heave equipment	6,616.96	0.00	6,616.96	7,388.52	0.00	7,388.52
Others	95,961.99	1,052.63	94,909.36	77,044.91	798.76	76,246.15
	<u>446,340.52</u>	<u>61,372.87</u>	<u>384,967.65</u>	<u>426,713.93</u>	<u>61,119.01</u>	<u>365,594.92</u>

CHINA METALLURGICAL GROUP CORPORATION
Notes to the Consolidated Financial Statements
For the year ended 31 December 2015
(All amounts in RMB Ten Thousand Yuan unless otherwise stated)
[English translation for reference only]

8 Notes to the consolidated financial statements(Continued)

(19) Construction in progress(Continued)

(a) The ending balance of construction in process at the end of the period (Continued)

	Budget number	31 Dec2015	Current year additions	Transfer to fixed assets	Others	31 Dec2016	Proportion of project cost as compared with budget (%)	Progress (%)	Accumulated in terest capitalization	Of which: Current interest capitalization	Current interest capitalization rate(%)	Fund resource
Infrastructure Project of MJAM	2,384,780.00	94,142.78	9,228.06	0.00	0.00	103,370.84	19.24	19.24	0.00	0.00		Self-raised fund
Office Building Renovation of China Nonferrous Engineering co., LTD.	68,000.00	72,948.23	17,648.99	0.00	0.00	48,734.08	71.67	71.67	2,569.55	1,046.80	5.93	Self-raised fund and Loan from financial
ZhongyeChangtianScience and Technology Industrial Park Office Building	56,900.00	31,085.09	18,076.90	0.00	0.00	36,361.75	85.63	85.63	0.00	0.00		Loan from financial
Duda Lead-zinc Project	63,957.62	81,008.00	11,733.64	-11,231.24	-1.30	81,509.14	86.64	86.64	1,587.69	1,039.25	5.55	Self-raised fund and Loan from financial
Slag Line remould cement production line project	18,883.20	18,524.57	23.13	0.00	0.00	18,547.71	98.22	98.22	0.00	0.00		Self-raised fund
WISCODRI building Project	27,176.00	18,284.85	6,608.48	0.00	0.00	17,472.91	64.00	64.00	0.00	0.00		Self-raised fund
CISDI Chengdu Research and Development and Design Center	76,655.00	10,864.42	8,404.65	0.00	0.00	15,956.55	20.94	20.94	0.00	0.00		Self-raised fund
Baotou Laobeiliang Comprehensive Tunnel Project	52,747.62	7,870.66	15,100.43	0.00	0.00	15,100.43	29.00	29.00	0.00	0.00		Self-raised fund
City Environmental Production Research Building	17,586.72	7,551.90	2,781.91	0.00	0.00	6,708.16	38.14	38.14	0.00	0.00		Self-raised fund
Manufacture Base of Mega Multi-way die forging and heave equipment	52,744.90	7,388.52	1,527.88	-413.77	0.00	6,616.96	75.40	75.40	0.00	0.00		Self-raised fund
Others	1,640,378.62	77,044.91	114,836.73	-160,767.29	-13,930.61	95,961.99	/	/	2,329.27	666.21	/	/
	4,459,809.68	426,713.93	205,970.80	-172,412.30	-13,931.91	446,340.52	/	/	6,486.51	2,752.27	/	/

8 Notes to the consolidated financial statements(Continued)

(19) Construction in progress (Continued)

The amount of restricted construction in progress and the reasons for restriction are disclosed in Note 8(25).

(b) In 2016, the Group accrued reduction reserves 352.04 ten thousand yuan.

(i) Due to Duda lead-zinc mine project existed an indication of impairment, the group made a renewal estimate to the main factor to affect asset impairment of projects under construction and estimated recoverable amount based on the present value of future cash flow. Future cash flows is obtained based on estimated production capacity, annual plans, the future price of nickel and cobalt forecast, expected revenue growth and gross margin as well as the forecasts of productive life. In 2014, the Group began to carry out technological transformation to Duda lead-zinc mine project assets. On December 31, 2015, according to the results of the assessment, the Group have accrued reduction reserves 60,320 ten thousand yuan. Until December 31, 2015, the Group had executed impairment evaluation based on the present value of future cash flows and calculated in accordance with latest financial budgets approved by management layer and 15% of pre-tax discount rate (2015: 15%). The Group had update assessment on main factors, according to the results, no need to accrue reduction reserves further. The construction in progress belong to resources segment.

(20) Project Material

	1 Jan 2016	Current addition	Current reduction	31 Dec 2016
Proprietary material	2,540.85	2,743.75	3,466.56	1,818.04
Special hardware	4,759.09	1,645.35	1,388.21	5,016.23
Tools and instruments prepare for production	67.32	22.86	19.26	70.92
Other	2.25	0.00	0.00	2.25
	<u>7,369.51</u>	<u>4,411.97</u>	<u>4,874.03</u>	<u>6,907.44</u>

8 Notes to the consolidated financial statements(Continued)

(21) Intangible assets

	Land use rights	Mining rights	Patents	Software	Concession trademark rights	Other	Total
Cost							
1 January 2016	846,128.17	396,116.57	4,801.85	46,812.95	774,331.54	136.46	2,068,327.54
Current year additions	19,406.09	23,765.61	794.09	4,468.56	15,674.78	462.70	64,571.83
Current year reductions	13,899.11	320.73	20.00	98.90	6,940.20	144.39	21,423.33
31 December 2016	851,635.15	419,561.45	5,575.94	51,182.61	783,066.12	454.77	2,111,476.04
Accumulated amortization							
1 January 2016	133,236.54	9,605.09	3,521.24	30,726.90	66,012.64	30.65	243,133.06
Current year additions	16,916.71	971.73	305.60	5,326.17	15,779.39	15.96	39,315.56
Current year reductions	1,832.58	0.00	20.00	84.97	13.95	0.35	1,951.85
31 December 2016	148,320.67	10,576.82	3,806.84	35,968.10	81,778.08	46.26	280,496.77
Provision for impairment							
1 January 2016	25,994.33	243,852.31	0.00	1.66	0.00	0.00	269,848.30
Current year additions	2,562.41	14,816.05	478.27	0.22	0.00	168.46	18,025.41
Current year reductions	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31 December 2016	28,556.74	258,668.36	478.27	1.88	0.00	168.46	287,873.71
Book value							
31 December 2016	674,757.74	150,316.27	1,290.83	15,212.63	701,288.04	240.05	1,543,105.56
31 December 2015	686,897.30	142,659.17	1,280.61	16,084.39	708,318.90	105.81	1,555,346.18

- (a) The amount of restricted intangible assets and the reasons for restriction are disclosed in Note 8(25).
- (b) There is no classified as intangible assets for sale.
- (c) Because the Cape Lambert Iron Ore Project feasibility study held by MCC Australia Holdings Ltd (a wholly-owned subsidiary of the Metallurgical Corporation of China LTD, hereinafter referred to as "MCCAH") existed an indication of impairment, from 2012-2014, the Group all employed an independent valuer, Jones Lang LaSalle Corporate Appraisal and Consulting Limited (hereinafter referred to as "Jones Lang LaSalle") to assess anticipated recoverable amount of Cape Lambert assets. According to the results of assessing impairment, the accumulated provision for asset impairment on mining rights was RMB257,941 ten thousand yuan until 31 December 2016, including RMB45,580 ten thousand yuan because of the accumulated change of Austrilian dollar exchange rate. The intangible assets belong to resource segment.

8 Notes to the consolidated financial statements(Continued)

(22) Goodwill

	1 January 2016			Current year additions	Current year reductions	31 December 2016		
	Original Cost	Provision for impairment	Net Book Value			Original Cost	Provision for impairment	Net Book Value
Beijing Xin'an Real Estate Development Co., Ltd	1,182.98	1,182.98	0.00	0.00	0.00	1,182.98	1,182.98	0.00
Shanghai Sangang Transport Handling Co., Ltd.	967.64	967.64	0.00	967.64	967.64	0.00	0.00	0.00
MCC Finance Co., Ltd.	10,503.15	0.00	10,503.15	0.00	0.00	10,503.15	0.00	10,503.15
MCC Argentina Mineral Co., Ltd.	6,999.33	6,999.33	0.00	749.63	749.63	6,249.70	6,249.70	0.00
Chengde Tiangong Architectural Design Co., Ltd.	3,346.02	0.00	3,346.02	0.00	0.00	3,346.02	0.00	3,346.02
Ningcheng County Hongda Mining Co., Ltd.	718.68	0.00	718.68	0.00	0.00	718.68	0.00	718.68
Beijing Tianrun Construction Engineering Co., Ltd	514.16	0.00	514.16	0.00	0.00	514.16	0.00	514.16
Qingdao JinZe Hua Di Real Estate Co., Ltd.	977.93	779.92	198.01	-22.65	0.00	977.93	802.56	175.37
Shanghai Yigang Electrical and Mechanical Co., Ltd	44.85	0.00	44.85	-44.85	0.00	44.85	44.85	0.00
Beijing Shengpeng Real Estate Development Co., Ltd.	9,492.34	9,492.34	0.00	0.00	0.00	9,492.34	9,492.34	0.00
Beijing Haike Real Estate Development Co., Ltd.	647.68	647.68	0.00	0.00	0.00	647.68	647.68	0.00
Shanghai Wugang Equipment Engineering Co., Ltd.	111.37	0.00	111.37	0.00	0.00	111.37	0.00	111.37
Wuhan Huaxia Fine Blanking Technology Co., Ltd.	83.69	0.00	83.69	0.00	0.00	83.69	0.00	83.69

8 Notes to the consolidated financial statements(Continued)

(22) Goodwill(Continued)

	1 January 2016			Current year additions	Current year reductions	31 December 2016		
	Original Cost	Provision for impairment	Net Book Value			Original Cost	Provision for impairment	Net Book Value
Beijing Guanyuanli Real Estate Development Co., Ltd.	17,088.56	17,088.56	0.00	17,088.56	17,088.56	0.00	0.00	0.00
China Metallurgical Construction Group Chongqing Heyuan Concrete Co., Ltd	1,853.33	0.00	1,853.33	0.00	0.00	1,853.33	0.00	1,853.33
	<u>54,531.71</u>	<u>37,158.45</u>	<u>17,373.26</u>	<u>18,738.33</u>	<u>18,805.83</u>	<u>35,725.88</u>	<u>18,420.11</u>	<u>17,305.77</u>

(a) Goodwill impairment test method and the impairment provision method:

The recoverable amount of an asset group is based on the present value of expected future cash flow of the asset management approval, China Metallurgical Group finance co., LTD., using a 17.33% pre-tax discount rate. Cash flow forecast during the period of budget according to expected revenue growth and gross margin during the budget period. Income growth budget determined according to expected rate of growth of the industry, and gross margin budgets according to the expression of the market and management.

8 Notes to the consolidated financial statements(Continued)

(23) Long Term Deferred Expenses

	1 Jan, 2016	Current year additions	Current year amortizations	Others reductions	31 Dec, 2016
Management & improvement expenditure of fixed assets	2,703.48	531.48	1,237.76	803.37	1,193.83
Insurance expenses	2,193.79	1749.34	996.18	618.21	2,328.74
Rental expense	3,791.76	1,215.3	1,346.77	0.00	3,660.29
Repair charge	1,318.51	53.66	324.41	228.75	819.01
Others	10,881.16	13346.16	6,274.79	614.08	17,338.45
Total	20,888.70	16,895.94	10,179.91	2,264.41	25,340.32

(24) Other non-current assets

	31 December 2016	31 December 2015
Others	16,697.39	11,000.00
	<u>16,697.39</u>	<u>11,000.00</u>

(25) The assets restricted Ownership

	1 Jan, 2016	Current year additions	Current year reductions.	31 Dec, 2016
Monetarycapital	525,068.81	623,955.70	519,669.87	629,354.64
Notesreceivable	17,161.16	258,708.28	31,166.67	244,702.77
Accountsreceivable	162,025.84	124,571.98	150,026.79	136,571.03
Inventories	979,141.85	549,220.74	582,284.24	946,078.35
Property for investment	37,535.86	52,830.57	1,308.96	89,057.47
Fixedassets	109,623.27	18,449.18	31,341.14	96,731.31
Constructioninprocess	0.00	0.00	0.00	0.00
Intangibleassets	115,037.48	65,283.09	34,038.24	146,282.33
Others	0.00	0.00	0.00	0.00
	<u>1,945,594.27</u>	<u>1,693,019.54</u>	<u>1,349,835.91</u>	<u>2,288,777.90</u>

8 Notes to the consolidated financial statements(Continued)

(25) The assets restricted Ownership(Continued)

Limited reasons	Mortgage	Pledge	Freeze	Other reasons	Total
Monetarycapital	477,716.01	51,989.43	33,637.52	66,011.68	629,354.64
Notesreceivable	220,588.75	24,114.02	0.00	0.00	244,702.77
Accountsreceivable	0.00	136,571.03	0.00	0.00	136,571.03
Inventories	0.00	946,078.35	0.00	0.00	946,078.35
Property for investment	0.00	89,057.47	0.00	0.00	89,057.47
Fixedassets	0.00	78,275.80	18,454.86	0.65	96,731.31
Constructioninprocess	0.00	137,388.18	8,894.15	0.00	146,282.33
Intangibleassets	0.00	0.00	0.00	0.00	0.00
Others	0.00	0.00	0.00	0.00	0.00
	<u>698,304.76</u>	<u>1,463,474.28</u>	<u>60,986.53</u>	<u>66,012.33</u>	<u>2,288,777.90</u>

(26) Short-termborrowing

	31 December 2016	31 December 2015
Guaranteed loan(a) -		
Mortgaged	69,351.00	97,822.01
Pledged	22,867.38	52,412.00
Guaranteed	48,559.00	32,468.00
FiduciaryLoan	<u>5,797,813.25</u>	<u>3,954,885.22</u>
	<u>5,938,590.63</u>	<u>4,137,587.23</u>

- (a) Up to 31 December 2016, the assets sorts and amount of the mortgaged loan could be attached to Note 8(25); the assets sorts and amount of the pledged loan could be attached to Note 8(25).
- (b) On December 31, 2016, the weighted average annual interest rate is 4.34%(2015: 5.46%).

8 Notes to the consolidated financial statements(Continued)

(27) Derivative Financial Liabilities

	31 December 2016	31 December 2015
Future foreign exchange settlement	1,744.29	1,433.86
	<u>1,744.29</u>	<u>1,433.86</u>

(28) Notes payable

	31 December 2016	31 December 2015
Banker's acceptance	1,538,829.58	1,438,769.65
Trade acceptance	225,049.22	126,584.08
	<u>1,763,878.80</u>	<u>1,565,353.73</u>

(29) Accounts payable

	31 December 2016	31 December 2015
Within 1 year	7,878,463.65	6,483,687.47
1 to 2 years	1,705,730.82	1,507,630.30
2 to 3 years	731,441.22	786,305.96
Over 3 years	929,292.23	584,572.66
	<u>11,244,927.92</u>	<u>9,362,196.39</u>

(30) Advance Receipt

	31 December 2016		31 December 2015	
	Amount	Percent (%)	Amount	Percent (%)
Within 1 year	2,784,377.71	83.38	2,365,011.31	78.40
1 to 2 years	277,470.28	8.31	351,041.67	11.64
2 to 3 years	97,214.73	2.91	142,175.57	4.70
Over 3 years	180,418.16	5.40	158,551.60	5.26
	<u>3,339,480.88</u>	<u>100.00</u>	<u>3,016,780.15</u>	<u>100.00</u>

8 Notes to the consolidated financial statements(Continued)

(31) Payroll payable

(a) Employee pay payable presents:

	1 Jan 2016	Current year additions	Current year reductions.	31 Dec 2016
1. Short-term payment	184,023.27	1,534,767.88	1,553,368.23	165,422.92
2. Welfare after service- set the escrow	20,007.57	281,203.15	277,418.84	23,791.88
3. Dismission welfare	2,289.42	16,767.61	17,602.11	1,454.92
4. Other benefits	2,147.76	115,335.79	115,182.17	2,301.38
	<u>208,468.02</u>	<u>1,948,074.43</u>	<u>1,963,571.35</u>	<u>192,971.10</u>

(b) Short-term payment presents:

	1 Jan 2016	Current year additions	Current year reductions.	31 Dec 2016
1. Wage,bonus, allowances and subsidies	101,853.89	1,206,587.15	1,231,023.08	77,417.96
2. Welfare expense of employee	1,510.40	41,350.32	42,369.63	491.09
3. Social security fee	3,495.84	109,906.81	110,479.31	2,923.34
Including:				
Medical insurance premiums	3,249.35	95,765.21	96,204.91	2,809.65
Industrial injury insurance premium	199.59	8,458.29	8,562.43	95.45
Maternity insurance	46.90	5,683.31	5,711.97	18.24
4. Housing funds	14,703.21	147,375.28	145,761.16	16,317.33
5. Union funds and employee education expenses	62,459.93	29,548.32	23,735.05	68,273.20
	<u>184,023.27</u>	<u>1,534,767.88</u>	<u>1,553,368.23</u>	<u>165,422.92</u>

The Group pays the endowment insurance and unemployment insurance according to the regulations of the state. In addition to the monthly pay cost, the Group no longer bears the payment obligation further. Corresponding spending recorded into the current profits and losses or the cost of the related assets.

(c) Set the escrow

	1 Jan 2016	Current year additions	Current year reductions.	31 Dec 2016
The basic pension insurance	12,705.26	227,410.46	225,394.17	14,721.55
Unemployment insurance expense	702.69	11,680.13	11,660.15	722.67
Supplementary pension insurance(Annuity)	6,599.62	42,112.56	40,364.52	8,347.66
Others	0.00	0.00	0.00	0.00
	<u>20,007.57</u>	<u>281,203.15</u>	<u>277,418.84</u>	<u>23,791.88</u>

8 Notes to the consolidated financial statements(Continued)

(32) Taxes payable

	31 December 2016	31 December 2015
Value added tax payable	64,645.14	-28,712.67
Consumption tax payable	611.79	275.52
Business tax payable	-17,437.72	406,107.34
Resources tax payable	383.42	713.59
Business income tax payable	179,865.83	152,851.22
Land value increment tax	19,569.27	-28,566.02
City maintenance and construction tax payable	7,356.57	32,404.96
Housing property tax payable	3,598.22	2,345.46
Tenure tax payable	4,068.11	3,749.26
Personal income tax payable	41,114.62	37,398.31
Educational fee payable	5,237.45	21,689.86
Other taxes and dues	10,394.76	13,537.66
	<u>319,407.46</u>	<u>613,794.49</u>

(33) Interestpayable

	31 December 2016	31 December 2015
Long-term interest on borrowing of Installment payment of interest due and principal repayments	16,889.90	14,497.91
Interest on corporate bonds	31,265.38	50,019.93
Interest on short-term borrowings	8,221.46	15,290.72
Others	1,000.01	4,063.03
	<u>57,376.75</u>	<u>83,871.59</u>

8 Notes to the consolidated financial statements(Continued)

(34) Dividends payable

	31 December 2016	31 December 2015
Divided into preferred stock or perpetual Capital Securities dividend as equity instrument	17,372.58	17,001.02
Others	65,876.99	62,103.14
	<u>83,249.57</u>	<u>79,104.16</u>

(35) Other payables

Presented by characters :

	31 December 2016	31 December 2015
Cash pledge and deposit payables	726,046.80	975,943.77
Rental fees payables	25,751.10	26,167.48
Water and electricity payables	18,882.84	36,144.57
Repair charge payables	53,376.97	33,379.42
Land- transferring fees payables	689.99	941.34
Others	929,854.30	557,490.36
	<u>1,754,602.00</u>	<u>1,630,066.94</u>

(36) Non-current liabilities due within one year

	31 December 2016	31 December 2015
Long-term borrowings due within one year	516,455.53	942,939.35
Payable bonds due within one year	934,472.48	575,943.72
The welfare of retired and retired inside staff within one year	41,932.80	44,584.49
Other anticipation liabilities due within one year	0.00	0.00
Long-term payable within one year	21,164.45	18,294.60
Other long-term liabilities due within one year	0.00	23.03
	<u>1,514,025.26</u>	<u>1,581,785.19</u>

8 Notes to the consolidated financial statements(Continued)

(37) Other current liabilities

	31 December 2016	31 December 2015
Deferred income	0.00	0.00
Short-term financing bond(a)	0.00	2,000,000.00
Others	400,161.89	13,139.86
	<u>400,161.89</u>	<u>2,013,139.86</u>

(38) Long-term borrowings

	31 December 2016	31 December 2015
Guaranteed loan(a) -		
Mortgaged	663,014.22	684,117.73
Pledged	92,269.06	84,613.84
Guaranteed	1036531.37	0.00
FiduciaryLoan	1,228,522.86	2,100,200.83
	3,020,337.51	2,868,932.40
Minus:current portion of long-term borrowings	516,455.53	942,939.35
	<u>2,503,881.98</u>	<u>1,925,993.05</u>

- (a) Until Dec 31 2016, assets class and amount of mortgage loan, see attached Note 8(25); assets class and amount of pledge loan, see attached Note 8(25).
- (b) The Group has not significant overdue long-term borrowings.
- (c) On Dec 31,2016,Long-term borrowing weighted average interest rate was4.77% (Dec 31,2014: 5.07%).

(39) Payable Bonds

	1 Jan 2016	Current year additions	Current year reduction	31 Dec2016
Fixed rate corporate bond	270,400.00	0.00	0.00	270,400.00
Medium-term note	50,000.00	0.00	50,000.00	0.00
Dollar bond	965,616.76	0.00	274,988.90	690,627.84
Corporate bond	487,175.57	350,000.00	198,330.93	638,844.65
	<u>1,773,192.33</u>	<u>350,000.00</u>	<u>523,319.83</u>	<u>1,599,872.49</u>

8 Notes to the consolidated financial statements(Continued)

(39) Payable Bonds (Continued)

	Face value	Issuing date	Bond period (year)	Release amount	Beginning balance	Issued this year	Interest for interest at par	Amortization of bond's premium price and conversion into money	Repay this year	Ending balance
Medium-term note	50,000.00	2011/4/11	5	50,000.00	50,000.00	0.00	0.00	0.00	50,000.00	0.00
Corporate bond	200,000.00	2013/12/12	3	200,000.00	200,000.00	0.00	0.00	0.00	200,000.00	0.00
Privately raised company bond	100,000.00	2014/4/29	3	100,000.00	100,000.00	0.00	0.00	0.00	0.00	100,000.00
Corporate bond (a)	350,000.00	2008/7/23	10	350,000.00	270,400.00	0.00	16,494.39	0.00	0.00	270,400.00
Dollar bond	332,210.00	2011/7/29	5	318,843.20	325,943.72	0.00	9,260.10	-20,906.28	346,850.00	0.00
Dollar bond(b)	307,685.00	2014/6/16	3	295,393.00	317,928.26	0.00	9,318.99	-27,003.28	0.00	344,931.54
Dollar bond (c)	308,190.00	2014/8/28	3	305,043.40	321,744.78	0.00	12,712.37	-23,951.53	0.00	345,696.31
Corporate bond-SGD(d)	136,740.00	2015/5/21	2	136,115.10	137,175.57	0.00	4,561.21	-6,669.07	0.00	143,844.64
Corporate bond (e)	50,000.00	2015/12/24	5	50,000.00	50,000.00	0.00	2,495.14	0.00	5,000.00	45,000.00
Corporate bond (f)	350,000.00	2016-3-3	3	350,000.00	0.00	350,000.00	13,854.17	0.00	0.00	350,000.00
	<u>1,834,825.00</u>			<u>1,805,394.70</u>	<u>1,773,192.33</u>	<u>350,000.00</u>	<u>68,696.37</u>	<u>-78,530.16</u>	<u>351,850.00</u>	<u>1,599,872.49</u>

Less:Bonds payable including other current liability and non-current liability due within one year

	Face value	Issuing date	Bond period (year)	Release amount	Beginning balance	Issued this year	Interest for interest at par	Amortization of bond's premium price and conversion into money	Repay this year	Ending balance
Privately raised company bond	100,000.00	2014/4/29	3	100,000.00	100,000.00	0.00	0.00	0.00	0.00	100,000.00
Dollar bond(b)	307,685.00	2014/6/16	3	295,393.00	317,928.26	0.00	9,318.99	-27,003.28	0.00	344,931.54
Dollar bond(c)	308,190.00	2014/8/28	3	305,043.40	321,744.78	0.00	12,712.37	-23,951.53	0.00	345,696.31
Corporate bond-SGD(d)	136,740.00	2015/5/21	2	136,115.10	137,175.57	0.00	4,561.21	-6,669.07	0.00	143,844.64
	<u>852,615.00</u>			<u>836,551.50</u>	<u>876,848.61</u>	<u>0.00</u>	<u>26,592.57</u>	<u>-57,623.88</u>	<u>0.00</u>	<u>934,472.49</u>
					<u>1,197,248.61</u>					<u>665,400.00</u>

8 Notes to the consolidated financial statements(Continued)

(39) Payable Bonds (Continued)

- (a) Approved by the national development and reform commission, the Group issued company bonds in July 2008. The face value was RMB 350,000.00 ten thousand yuan, and due within 10 years since the issue date, Issued at par, an interest rate of 6.10%. The issuer has the rights to decide in the bonds duration that at fifth years end up-regulate the face value of 5 years later, the scope is 0-100 base point. The investors have a right register the bond in putable period according to the bonds putable execution method, they could sell entire of partrial bonds as par to the company, or choose to stay hold. On July 24, 2013, the company had made buy-back the bonds RMB 79,600 ten thousand yuan from the holders.
- (b) MCC holdings (Hong Kong) co., LTD., released dollar bonds on June 16, 2014, face value is \$500 million, the actual total is \$480.0250 million, due within 3 years since the issue date, and issued at a discount. The bond guaranteed by bank of china London branch, they pay a fixed annual interest rate 2.625%, per-quarter coupon and mature at par.
- (c) MCC holdings (Hong Kong) co., LTD., released dollar bonds on Aug 28, 2014, face value is \$500 million, the actual total is \$494.89 million, due within 3 years since the issue date, and issued at a discount. The bond guaranteed by Agricultural Bank of China head office, they pay a fixed annual interest rate 2.500%, per-quarter coupon and mature at par.
- (d) Central Research Institute of Building and Constrution Co. Ltd released SGD bonds on May 21, 2015, face value is SGD 30,000 ten thousand, the actual total is SGD 29970.9 ten thousand, due within 2 years since the issue date, and issued at a discount. The bond guaranteed by the Group, they pay a fixed annual interest rate 2.950%, semi-annual coupon and mature at par.
- (e) MCC Real Estate Group Corporation Limited released un-public corporate bond on Dec 24, 2015, face value is RMB 50,000 ten thousand, due within 5 years since the issue date, par issue, and interest rate 5%. At each year end of bonds duration, issuer could adjust interest option and investors could adjust putable option.
- (f) MCC Real Estate Group Corporation Limited released un-public corporate bond on Mar 3, 2016, face value is RMB 3,500 million, due within 3 years since the issue date, par issue, and interest rate 4.75%. At the second year end of bonds duration, issuer could adjust interest option and investors could adjust putable option.

8 Notes to the consolidated financial statements(Continued)

(40) Long-term payable

	31 December 2016	31 December 2015
Financial lease payable	60,148.37	71,081.24
Others	45,405.86	13,265.04
	105,554.23	84,346.28
Less:current portion of long-term borrowing	21,164.45	18,294.60
	<u>84,389.78</u>	<u>66,051.68</u>

(41) Specific Payable

	1 Jan 2016	Current year additions	Current year reduction	31 Dec2016
Specific Payable	2,508.33	16,307.96	16,363.82	2,452.47
less:Long-term Specific Payable due within one year	<u>23.03</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>2,485.30</u>	<u>0.00</u>	<u>0.00</u>	<u>2,452.47</u>

8 Notes to the consolidated financial statements(Continued)

(42) Long-term Payroll Payable

	1 Jan 2016	Current year additions	Current year reduction	31 Dec2016
Long-term employee pay payable	476,192.12	12,821.82	49,273.67	439,740.27
less:Long-term employee pay payable due within one year	44,584.49	0.00	0.00	41,932.80
	<u>431,607.63</u>	<u>0.00</u>	<u>0.00</u>	<u>397,807.47</u>

(i) Changed condition of defined benefit plan

	31 December 2016	31 December 2015
Year beginning balance	476,192.12	472,331.66
Defined benefit cost accounted into current profit and loss	12,327.96	13,920.78
1. Past service cost	49.90	-88.00
2. Net interest	12,278.06	14,008.78
Defined benefit cost accounted into other comprehensive income	493.86	41,833.22
1. An actuarial loss(the profit shown with“—”)	493.86	41,833.22
Other change	-49,273.67	-51,893.54
1.Prepaid welfare	-49,273.67	-51,893.54
Year end balance	<u>439,740.27</u>	<u>476,192.12</u>

(1) The statement of the content and relevant risk of defined benefit obligation influence the future cash flow, time and probabilistic:

- (a) Setting benefit plans for December 31, 2007 retired worker supplementary retirement benefits. Received benefits after retirement is depending on the position and length of service of retirement and wages. The Group's set to benefit from the balance sheet date plan duty is by external independent actuaries Towers Watson consulting firm according to the unit method of the expected cumulative welfare to calculate.
- (b) Present value of defined benefit obligation of the Group weighted average duration was 7years.

8 Notes to the consolidated financial statements(Continued)

(42) Long-term Payroll Payable(Continued)

(1) The statement of the content and relevant risk of defined benefit obligation influence the future cash flow, time and probabilistic(Continued):

(c) Expected expiration analysis of non-discounting after-service welfare

	Whin 1 year	1-2 years	2-5 years	Over 5 years	Total
After-service welfare	41,933	34,889	92,165	281,257	450,244

Defined benefit obligation takes many kinds of risk to the Group including risk of changes in interest rates of treasury bond, risk of inflation and risk of longevity and so on. Decline in interest rates of treasury bond would lead to an increase of defined benefit liabilities, but the Group trust that the yield rate government treasury bond would not has a significant fluctuations; The change of inflation rate would influence the annual growth rate retiree and survivor's living expenses and the amount of employee medical expense claim, but the Group think that was not a significant risk; The increase in life expectancy would lead to increased setting benefit plan liabilities.

(2) Main actuarial assumption and results demonstrate of sensitivity analysis of defined benefit obligation:

(a) Main actuarial assumption of present worth of defined benefit obligation of the Group

	Dec 31, 2016	Dec 31, 2015
Discount rate	3.00%	2.90%
Mortality rate	China life insurance pension life table 2000-03 pagedown 2years	China life insurance pension life table 2000-03 pagedown 2years
The annual growth rate of living expensesof retiree and survivor	4.50%	4.50%
The annual growth rate of medical expense claims of all kinds of staffs	8.00%	8.00%

(b) Sensitivity analysis of main actuarial assumption of present worth of defined benefit obligation of the Group

	Changes in the assumptions	Influence to setting benefit obligations	
		Assuming increase	Assuming decrease
Discount rate	0.25%	Down 1.60%	Up 1.60%
The annual growth rate of living expenses of retiree and survivor	1.00%	Up 1.20%	Down 1.00%
The annual growth rate of medical expense claims of all kinds of staffs	1.00%	Up 2.20%	Down 1.90%

8 Notes to the consolidated financial statements(Continued)

(42) Long-term Payroll Payable(Continued)

- (2) Main actuarial assumption and results demonstrate of sensitivity analysis of defined benefit obligation(continued):
- (b) Sensitivity analysis of main actuarial assumption of present worth of defined benefit obligation of the Group(continued)

The above sensitivity analysis is based on a hypothesis which other assumptions are unchanged, but in fact assumptions are often interrelated. The sensitivity analysis when calculating the present value of setting benefit obligations also USES the expected cumulative welfare unit method.

The major assumptions used in methods and types of sensitivity analysis compared with the previous year, has not changed.

(43) Anticipation liabilities

	1 Jan 2016	Current year additions	Current year reductions	31 Dec2016
Pending litigation or pending arbitration	1,852.10	1,089.92	431.52	2,510.50
Product quality assurance	67.18	662.58	0.00	729.76
Environmental recovery preparation	18,415.38	1,511.04	0.00	19,926.42
Others	160,947.14	61,943.36	31,720.88	191,169.62
	<u>181,281.80</u>	<u>65,206.90</u>	<u>32,152.40</u>	<u>214,336.30</u>
Less:Expected liabilities due within 1 year	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
	<u>181,281.80</u>	<u>0.00</u>	<u>0.00</u>	<u>214,336.30</u>

8 Notes to the consolidated financial statements(Continued)

(44) Deferred tax assets and deferred liabilities

Not offset deferred tax assets and deferred income tax liabilities are as follows:

(a) Deferred tax assets

	31 December 2016		31 December 2015	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provision for impairment of assets	326,447.89	1,654,940.51	257,751.98	1,320,898.68
Charge in fair value of available-for-sale financial assets	29,139.65	131,752.26	58.90	235.60
Offset internal unrealized profits	38,386.92	162,848.17	27,613.82	129,425.74
Deductible loss	15,093.01	63,059.54	19,126.22	83,461.39
Established withdrawing plan	8,644.22	44,654.41	40,726.50	171,871.83
Payroll Payable	140.86	574.69	11,899.63	56,503.31
Others	30,885.79	140,052.32	22,282.09	106,426.74
	<u>448,738.34</u>	<u>2,197,881.90</u>	<u>379,459.14</u>	<u>1,868,823.29</u>

8 Notes to the consolidated financial statements(Continued)

(44) Deferred tax assets and deferred liabilities(Continued)

- (b) The analysis of the Group unrecognized deferred income tax assets for deductible temporary difference and deductible loss is as follows:

	31 December 2016	31 December 2015
Deductible temporary differences	666,560.64	1,344,563.59
Deductible loss	<u>2,366,447.12</u>	<u>3,404,865.39</u>
	<u>3,033,007.76</u>	<u>4,749,428.98</u>

- (c) The expiry dates of the deductible loss for the unrecognized deferred income tax asset is as follows:

	31 December 2016	31 December 2015
2016	0.00	389,276.75
2017	689,562.17	914,131.01
2018	689,493.45	695,164.01
2019	345,904.71	345,633.04
2010	297,856.49	1,060,660.58
2021	<u>343,630.30</u>	<u>0.00</u>
	<u>2,366,447.12</u>	<u>3,404,865.39</u>

8 Notes to the consolidated financial statements(Continued)

(44) Deferred tax assets and deferred liabilities(Continued)

(d) Deferred tax liabilities

	31 December 2016		31 December 2015	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Business combination involving entities not under common control	3,851.52	11,920.62	4,482.97	13,742.35
Changes in fair value of available-for-sale financial assets included in the capital reserve	8,217.34	33,044.08	9,249.59	37,255.58
Others	14,483.57	58,118.60	24,908.24	100,269.05
	<u>26,552.43</u>	<u>103,083.30</u>	<u>38,640.80</u>	<u>151,266.98</u>

(e) The net balances of deferred tax assets and deferred tax liabilities after offsetting and the deductible or taxable temporary differences after the corresponding offset are as follows:

	31 December 2016	31 December 2015
Deferred tax assets, net	443,426.05	373,348.83
Deferred tax liabilities, net	21,240.13	32,530.50

(45) Deferred income

	1 Jan 2016	Current year additions	Current year reduction	31 Dec2016
Deferred income	141,378.04	22,017.53	23,901.65	139,493.92
Others	24,025.05	612.67	5,317.99	19,319.73
	<u>165,403.09</u>	<u>22,630.20</u>	<u>29,219.64</u>	<u>158,813.65</u>
Of which:Deferred revenue which is expected to transfer into the income statement one year later	11,309.67	0.00	0.00	12,161.42
Deferred revenue which is expected to transfer into the income statement one year later	154,093.42	0.00	0.00	146,652.23

8 Notes to the consolidated financial statements(Continued)

(46) Paid-in capital

	1 January 2016		Current year additions	Current year reductions	31 December 2016	
	Investment amount	Proportion of total balance (%)			Investment amount	Proportion of total balance (%)
SASAC	1,033,855.59	100.00	0.00	0.00	1,033,855.59	100.00
	<u>1,033,855.59</u>	<u>100.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,033,855.59</u>	<u>100.00</u>

(47) Other equity instrument

	1 January 2016		Current year additions		Current year reductions		31 December 2016	
	Quantity	Book value	Quantity	Book value	Quantity	Book value	Quantity	Book value
Perpetual capital securities	3,000.00	295,500.00	1,000.00	99,991.80	0.00	0.00	4,000.00	395,491.80
	<u>3,000.00</u>	<u>295,500.00</u>	<u>1,000.00</u>	<u>99,991.80</u>	<u>0.00</u>	<u>0.00</u>	<u>4,000.00</u>	<u>395,491.80</u>

8 Notes to the consolidated financial statements(Continued)

(48) Capital reserves

	1 Jan2016	Current year additions	Current year reduction	31 Dec2016
Capital premium	1,998,301.87	0.00	0.00	1,998,301.87
Other capital reserves	69,248.15	93,154.72	0.00	162,402.87
	<u>2,067,550.02</u>	<u>93,154.72</u>	<u>0.00</u>	<u>2,160,704.74</u>

	1 Jan 2015	Current year additions	Current year reductions	31 Dec2015
Capital premium	1,998,301.87	0.00	0.00	1,998,301.87
Other capital reserves	66,008.72	3,937.94	698.51	69,248.15
	<u>2,064,310.59</u>	<u>3,937.94</u>	<u>698.51</u>	<u>2,067,550.02</u>

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8 Notes to the consolidated financial statements(Continued)

(49) Other comprehensive income

	1 Jan 2016	Current amount					31 Dec 2016
		The amount before income tax	Less: before in other comprehensive income, current in profit	Less: Income Tax Expense	AT Belonged to Owner of the Parent Company	AT Belonged to Minority Equity	
1. Other comprehensive income that could not be classified into profit and loss in the future	2,727.96	-493.86	0.00	200.83	-304.83	-389.86	2,423.13
Of which: the change of net liabilities and net assets of recalculated setting profit plan	2,727.96	-493.86	0.00	200.83	-304.83	-389.86	2,423.13
2. Other comprehensive income that could be classified into profit and loss in the future	0.00	3,207.42	370.51	-1,582.68	95.40	4,324.18	9,710.87
Of which: The amount of available income (loss) generated from available-for-sale financial assets	15,806.45	-4,187.45	370.51	-1,114.21	-2,123.73	-1,320.02	13,682.72
Exchange differences arising from translating foreign operations	-6,190.98	7,394.87	0.00	-468.46	2,219.13	5,644.20	-3,971.85
Total	12,343.43	2,713.56	370.51	-1,381.85	-209.43	3,934.32	12,134.00

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8 Notes to the consolidated financial statements(Continued)

(50) Special reserves

	1Jan 2016	Current year additions	Current year reduction	31 Dec2016
Safety production costs	805.49	145,552.82	145,552.82	805.49
	<u>805.49</u>	<u>145,552.82</u>	<u>145,552.82</u>	<u>805.49</u>
	1Jan 2015	Current year additions	Current year reduction	31 Dec2015
Safety production costs	805.49	151,801.94	151,801.94	805.49
	<u>805.49</u>	<u>151,801.94</u>	<u>151,801.94</u>	<u>805.49</u>

8 Notes to the consolidated financial statements(Continued)

(51) Undistributed profits

	2016	2015
Balance at 1 January 2015 (before adjustment)	-863,493.22	-1,086,724.95
Adjustment	0.00	0.00
Balance at 1 January 2015 (after adjustment)	-863,493.22	-1,086,724.95
Current year additions	234,021.05	241,201.73
Including: Transfer in of net profit	234,021.05	241,201.73
Other additions	0.00	0.00
Current year reductions	29,390.83	17,970.00
Including: Appropriation to surplus reserves	0.00	0.00
Profit distribution to equity owners	0.00	0.00
Profit distribution to stock dividend	0.00	0.00
Increased capital	0.00	0.00
Other reductions	29,390.83	17,970.00
Balance at 31 December 2015	-658,863.00	-863,493.22
Including: Cash dividends approved by the Board of Directors		

(52) Revenue and cost of sales

(a) Revenue and cost of sales

	2016		2015	
	Revenue	Cost of sales	Revenue	Cost of sales
Main operations	22,344,834.12	19,490,703.18	22,045,332.37	19,154,144.36
Other operations	138,500.77	104,551.52	147,618.03	113,479.85
	22,483,334.89	19,595,254.70	22,192,950.40	19,267,624.21

8 Notes to the consolidated financial statements(Continued)

(52) Revenue and cost of sales(Cotinued)

(b) Analysis according to industries

	2016		2015	
	Revenue	Cost of sales	Revenue	Cost of sales
-Construction contract	18,423,466.92	16,370,843.97	18,320,833.53	16,006,981.27
-Real Estate	2,215,537.13	1,611,754.14	1,930,491.28	1,539,730.23
-Equipment manufacturing	466,229.32	412,803.20	834,987.65	714,006.17
-Resources development	830,294.44	730,384.31	691,360.85	663,021.25
-Others	409,306.31	364,917.56	267,659.06	230,405.44
	<u>22,344,834.12</u>	<u>19,490,703.18</u>	<u>22,045,332.37</u>	<u>19,154,144.36</u>

(c) The 5 biggest customers

	Revenue	Portions in whole revenue (%)
Unit 1	371,245.15	1.66
Unit 2	263,105.07	1.18
Unit 3	180,286.04	0.81
Unit 4	172,272.04	0.77
Unit 5	170,057.18	0.76
	<u>1,156,965.48</u>	<u>5.18</u>

8 Notes to the consolidated financial statements(Continued)

(53) Business tax and extra

	2016	2015
Business tax	143,897.60	455,244.62
City maintenance and construction tax	24,795.26	39,054.01
Educational surcharge	20,032.19	29,583.12
Land appreciation tax	92,896.81	17,323.69
Others	56,367.84	23,920.30
	<u>337,989.70</u>	<u>565,125.74</u>

In accordance with the relevant provisions of the Provisional Regulations on Value Added Tax of the People's Republic of China and the Notice on the Pilot Project of Investing Value-Added Tax on Commercial Tax Reform (Cai Shui [2016] No. 36) and other relevant provisions, in order to further standardize the value-added tax accounting treatment and financial statements related items, The Ministry of Finance in 2016 developed the "VAT accounting treatment" (accounting [2016] No. 22) (hereinafter referred to as "the provisions"). As stated in Note 4, the Group has changed its value from 1 to 20.16 to pay VAT. The Group has required accounting for the business of value-added tax in accordance with this provision and carried out the relevant financial statements in accordance with this provision. Show.

(54) Selling expenses

	2016	2015
Packing expense	971.37	840.86
Payroll	68,253.84	60,384.85
Depreciation cost	1,654.18	1,445.97
Travel expense	16,035.37	14,392.31
office expenses	5,994.03	6,063.35
Traffic expense	15,620.14	21,138.09
Advertising expense	8,857.30	12,602.00
Other expenses	53,808.82	39,895.85
	<u>171,195.05</u>	<u>156,763.28</u>

8 Notes to the consolidated financial statements(Continued)

(55) Management expenses

	2016	2015
Payroll	440,606.25	425,993.85
Depreciation cost	58,903.66	56,413.99
Amortization of intangible assets	19,410.77	21,204.98
Travel expense	31,646.65	30,797.60
Office expenses	36,303.25	36,664.21
Rental expense	7,242.62	17,575.92
Research and development expense	341,009.06	292,527.10
Repair charge	26,442.24	26,715.61
Consulting fee	7,002.66	6,595.82
Taxation expense	62.80	36,270.55
Others	128,315.98	98,396.83
	<u>1,096,945.94</u>	<u>1,049,156.46</u>

(56) Financial expenses

	2016	2015
Interest expenses	392,071.54	439,428.03
Less: Interest income	116,902.77	167,902.51
Exchange gains or losses	-48,984.58	-12,199.77
Others	32,641.97	34,585.30
	<u>258,826.16</u>	<u>293,911.05</u>

8 Notes to the consolidated financial statements(Continued)

(57) Loss from Asset Devaluation

	2016	2015
Bad debts	339,570.72	231,520.30
Declines in values of inventories	68,095.32	83,355.55
Impairment of financial assets available for sale	445.79	473.04
Impairment of held-to-maturity investments	2.03	0.00
Impairment of long-term equity investments	0.00	0.00
Impairment of investment Real Estate	0.00	10,635.92
Impairment of fixed assets	4,886.99	83,469.80
Impairment of construction in progress	352.04	798.76
Impairment of intangible assets	478.27	61,107.04
Impairment of goodwill	67.50	7,014.87
Others	-508.84	52.83
	<u>413,389.82</u>	<u>478,428.11</u>

(58) Income from Changes in Fair Value

	2016	2015
Financial assets held for trading	-11.16	242.51
Others	-310.43	-3,287.06
	<u>-321.59</u>	<u>-3,044.55</u>

8 Notes to the consolidated financial statements(Continued)

(59) Income from Investment

	2016	2015
Income from long-term equity investment under cost method	0.00	0.00
Income from long-term equity investment under equity method	-11,915.66	-25,790.10
Income from disposal of long-term equity investments	50,780.17	187,258.44
Income from financial assets available for trading	1,436.03	7,480.65
Income from held-to-maturity available-for-sale financial assets investments	4,082.23	6,888.56
Others	-249.38	-180.75
	<u>44,133.39</u>	<u>175,656.80</u>

(60) Non-business income and expenditure

(a) Non-business income

	2016	2015
Gain on disposal of non-current assets	15,481.28	23,619.23
Including: Gain on disposal of fixed assets	12,795.41	20,691.74
Gain on disposal of intangible assets	743.31	1,891.28
Gain on disposal of non-monetary assets	0.00	0.00
Gain on debt restructuring	1,550.14	2,544.48
Government grants (i)	71,922.28	68,910.62
Gain on donation	0.00	0.00
Penalty income	13,023.00	939.67
Balance on which the combined cost of business merge under different control is less than net identifiable assets fair value enjoyed by the enterprise being invested	0.00	9,014.65
Others	32,712.47	42,352.93
	<u>134,689.17</u>	<u>147,381.58</u>

(i) Government grants

	2016	2015
Return of land-transferring fees	12,040.62	15,467.91
Compensation for land demolition	2,598.06	1,718.28
Free allocation of non-monetary assets	15,992.47	11,248.37
Tax return	0.00	0.00
Finance discount	3,763.25	7,560.72
Scientific research subsidies	14,367.46	10,110.53
Financial subsidies	30.98	25.12
Others	23,129.44	22,779.69
	<u>71,922.28</u>	<u>68,910.62</u>

8 Notes to the consolidated financial statements(Continued)

(60) Non-business income and expenditure (Continued)

(b) Non-business expenditure

	2016	2015
Loss on disposal of non-current assets	9,232.65	7,295.29
Including: Loss on disposal of fixed assets	9,109.61	6,519.04
Loss on disposal of intangible assets	108.32	772.86
Loss on non-monetary assets exchange	0.00	0.00
Loss on debt restructuring	3,325.87	482.61
Donation expense	0.00	0.00
Compensation and penalty expense	3,857.81	4,761.26
Others	53,525.44	2,543.28
	<u>69,941.77</u>	<u>15,082.44</u>

(61) Income tax expenses

	2016	2015
Current income tax	240,075.74	277,519.14
Deferred income tax	-79,850.68	-57,866.67
	<u>160,225.06</u>	<u>219,652.47</u>

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the consolidated financial statements to the income tax expenses is listed below:

	2016	2015
Total profit	<u>718,292.72</u>	<u>686,852.93</u>
Income tax expenses calculated at statutory tax rates (25%)	179,573.18	171,713.23
Influence of tax rate change	-15,682.74	-212,396.51
Adjust the impact of previous income tax	0.00	0.00
Income not subject to taxation	-20,551.60	-20,270.64
Expenses not deductible for tax purpose	26,431.58	16,474.42
Influence of using deductible loss of unconfirmed deferred income tax assets	-27,329.57	-18,872.20
Deductible loss on deferred income tax assets unconfirmed for current period or for writeoff of pervious year	61,882.69	306,599.43
Others	-44,098.48	-23,595.26
Income tax expenses	<u>160,225.06</u>	<u>219,652.47</u>

8 Notes to the consolidated financial statements (Continued)

(62) Other comprehensive income

	2016	2015
Other comprehensive income that could not be classified into profit and loss in the future		
1. Remeasured of setting profit plan	-493.86	-42,414.87
Less: influence of recalculation of setting benefit plan	200.83	-582.99
Total	<u>-694.69</u>	<u>-41,831.88</u>
Other comprehensive income that can be classied into profit and loss in the future		
1. Change profit and loss of fair value of available-for sale financial assets	-4,187.45	4,054.27
The amount of before in other comrehensive income, current in profit	370.51	402.17
Less: influence of income tax caused by finacial assets available for sale	-1,114.21	655.12
Total	<u>-3,443.75</u>	<u>2,996.98</u>
2. Balance arising from foreign currency financial statement translation	7,394.87	-1,742.68
The net amount of disposal of overseas operations in current profit		
Less: influence of income tax caused by foreign currency financial statement exchange margin	-468.46	-1,466.79
Total	<u>7,863.33</u>	<u>-275.89</u>
Total	<u>3,724.89</u>	<u>-39,110.79</u>

8 Notes to the consolidated financial statements(Continued)

(63) Notes to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2016	2015
(Net loss)/Net profit	558,067.66	467,200.47
Add: Provisions for assets impairment/(return)	413,389.82	478,428.11
Fixed assets depreciation	275,024.79	281,858.40
Amortization of intangible assets	39,149.31	37,340.78
Amortization of long-term prepaid expenses	8,185.78	6,410.89
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets	-6,374.22	-16,603.84
Losses/(Gains) on scrapping of fixed assets	28.18	225.29
Losses/(gains) on change in fair value	321.59	3,044.55
Financial expenses	318,459.98	339,461.37
Investment income	-41,166.62	-60,281.82
Decrease/(Increase) in deferred tax assets	-69,235.15	-43,835.53
Increase/(Decrease) in deferred tax liabilities	-10,608.96	-12,427.73
Decrease/(Increase) in inventories	-769,737.97	-926,565.59
Decrease/(Increase) in operating receivables	-1,276,486.22	-792,486.01
Increase/(Decrease) in operating payables	2,339,799.91	1,781,691.96
Others	0.00	0.00
Net cash flows from operating activities	<u>1,778,817.88</u>	<u>1,543,461.30</u>

(b) Net change in cash and cash equivalents

	2016	2015
Cash at end of year	4,038,019.50	3,074,208.05
Minus : cash at beginning of year	3,074,208.05	3,264,122.63
Plus: year end balance of cash equivalent	0.00	0.00
Minus: balance at the beginning of year for cash equivalent	0.00	0.00
Net change in cash and cash equivalents	<u>963,811.45</u>	<u>-189,914.58</u>

8 Notes to the consolidated financial statements(Continued)

(63) Notes to consolidated cash flow statements(Continued)

(c) Cash and cash equivalents

	31 December 2016	31 December 2015
Cash at bank and on hand	4,038,019.50	3,074,208.05
Including: Cash on hand	2,425.22	2,446.48
Bank deposits readily convertible to cash	3,826,755.07	2,867,684.34
Other cash balances readily convertible to cash	208,839.21	204,077.23
Cash and cash equivalents	0.00	0.00
Including: Bond investment due within three months	0.00	0.00
Cash and cash equivalents at end of year	<u>4,038,019.50</u>	<u>3,074,208.05</u>
Including: Restricted cash and cash equivalents of the parent company and subsidiaries		

(d) Net proceeds from acquisition and disposal of subsidiaries

	Amount
1. Cash and cash equivalents paid in current period enterprise combination	0.00
Minus: Cash and cash equivalents held by subsidiaries in purchase day	0.00
Add: Cash and cash equivalents paid for enterprise combination in past period	0.00
Net cash generated from acquisition of subsidiaries	0.00
2. Cash and cash equivalents gained from disposal of subsidiaries in current period	4,237.15
Minus: Cash and cash equivalents held by subsidiaries in losing controlling day	924.21
Add: Cash and cash equivalents gained in current period from past disposal	0.00
Net cash generated from disposal of subsidiaries	3,312.94

8 Notes to the consolidated financial statements(Continued)

(63) Notes to consolidated cash flow statements(Continued)

(e) Cash received and paid relating to other operating activities

In the cash flow statement, cash received relating to other operating activities mainly comprises:

	2016	2015
Returned depositsandDeposit return	90,910.45	69,616.08
Cash received from other companies	40,935.64	91,250.90
Interest income	53,915.00	58,723.20
Subsidies, appropriations etc.	59,991.24	47,301.89
Staff-returned imprest	835.76	644.45
Collecting, withhold and remit tax fund	45,025.68	1,000.28
Others	18,680.82	16,643.19
	<u>310,294.59</u>	<u>285,179.99</u>

In the cash flow statement, cash paid relating to other operating activities mainly comprises:

	2016	2015
Payable expenses	65,810.68	125,835.39
Returned depositsandDeposit return	416,320.30	274,148.53
Travel expenses	47,706.54	45,213.63
Retirement fee	79,536.84	50,819.78
Repair and maintenance fee	8,244.99	11,976.76
Research and development expenditure	212,991.04	163,558.13
Advertising and promotion expenses	42,340.89	22,980.83
Office expenses	68,382.86	67,903.34
Others	197,642.23	133,572.80
	<u>1,138,976.37</u>	<u>896,009.19</u>

8 Notes to the consolidated financial statements(Continued)

(64) Foreign Currency Monetary Items

	Year ending Foreign Currency	Exchange rate	Year ending RMB
Currency fund	0.00	0.00	631,860.39
Of which :US dollar	85,740.57	6.9370	594,782.31
Euro	802.54	7.3068	5,863.97
HK dollar	3,950.77	0.8945	3,533.96
Australian dollar	5,409.63	5.0157	27,133.06
Others	0.00	0.00	547.09
Accounts Receivable	0.00	0.00	129,855.76
Of which :US dollar	12,535.24	6.9370	86,956.97
Euro	0.00	7.3068	0.00
HK dollar	0.00	0.8945	0.00
Australian dollar	0.00	5.0157	0.00
Others	0.00	0.00	42,898.79
Long-term Borrowing	0.00	0.00	343,436.88
Of which :US dollar	49,200.00	6.9370	341,300.40
Others	445.15	0.00	2,136.48

9 Leases

(1) Finance Leases (Lessee)

(a) Fixed assets held under finance lease

Machinery and equipment	The original book value	Accumulated depreciation	Provision for diminution in value	Book value
31 December 2016	66,586.73	18,549.26	0.00	48,037.47
31 December 2015	29,064.43	4,693.49	0.00	24,370.94

(b) Minimum lease payments

Future lease payments are summarized as follows:

Remaining leases periods	31 December 2016	31 December 2015
Within 1 year (including 1 year)	20,273.59	10,038.96
1-2 years (including 2 years)	26,121.15	11,291.55
2-3 years (including 3 years)	3,459.57	11,353.76
Over 3 years	1,671.56	15,335.75
	<u>51,525.87</u>	<u>48,020.02</u>

On 31 December, 2016, the unconfirmed financial charge is RMB5,845.85ten thousand yuan (on 31 December 2015, it was RMB 9,414.57ten thousand yuan).

9 Leases (Continued)

(2) Finance Leases (Lessor)

Minimum lease receipts:

Remaining lease periods	31 December 2016
Within 1 year (including 1 year)	3,037.81
1-2 years (including 2 years)	2,151.27
2-3 years (including 3 years)	286.36
Over 3 years	3,047.75
	<u>8,523.19</u>

(3) Operating Leases (Lessor)

Ending balance	Equipment	Transportation Tools	Total
31 December 2016	<u>5,922.51</u>	<u>2,956.69</u>	<u>8,879.20</u>
31 December 2015	<u>6,737.57</u>	<u>4,775.63</u>	<u>11,513.20</u>

10 DisContinued operation

None.

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11 Segment information

(a) Segment information as at 31 December 2016 and for the year ended 31 December 2016 is as follows:

	Construction contract	Equipment manufacturing	Resource development	Real Estate	Others	Undistributed amount	Elimination	Total
Revenue	18,763,868.97	511,210.31	850,088.36	2,250,644.68	470,379.72	0.00	-362,857.15	22,483,334.89
Including:								
Revenue from external customers	18,519,167.97	474,988.98	845,330.55	2,229,125.95	414,721.44	0.00		22,483,334.89
Inter-segment revenue	244,701.00	36,221.33	4,757.81	21,518.73	55,658.28	0.00	-362,857.15	0.00
Income from joint ventures and associates enterprise	2,684.95	-16,195.82	0.00	46,542.74	-276.82	0.00	0.00	32,755.05
Loss from Assets Devaluation	357,509.06	11,072.05	26,318.60	17,465.53	1,024.58	0.00	0.00	413,389.82
Depreciation and amortisation	164,398.33	34,625.04	94,498.26	7,255.20	22,180.22	0.00	0.00	322,957.05
Total profit / (losses)	513,114.14	-50,777.88	-77,133.09	395,607.63	-38,768.13	-19,507.74	-4,242.21	718,292.72
Income tax expense	70,975.34	2,144.00	864.03	82,107.82	4,133.87	0.00	0.00	160,225.06
Net profit / (losses)	442,138.80	-52,921.88	-77,997.12	313,499.81	-42,902.00	-19,507.74	-4,242.21	558,067.66
Total assets	26,634,092.00	1,646,448.38	2,511,830.37	9,749,087.87	4,313,067.87	435,800.80	-6,469,875.56	38,820,451.73
Total Liabilities	22,194,091.29	968,661.15	2,556,087.02	7,183,303.08	4,034,193.95	21,240.13	-6,310,999.71	30,646,576.91
Other main non-cash expenses	246,272.82	-760.30	-0.17	9,993.21	72.90	0.00	0.00	255,578.46
Of which: Other non-cash expenses other than depreciation and amortization	182,102.85	-760.30	-0.17	15,367.19	72.90	0.00	0.00	196,782.47
Additional amount of long-term equity investment on joint operation and joint venture enterprises	52,058.29	0.00	0.00	-5,403.85	0.00	0.00	0.00	46,654.44

CHINA METALLURGICAL GROUP CORPORATION

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

(All amounts in RMB Ten Thousand Yuan unless otherwise stated)

[English translation for reference only]

11 Segment information(Continued)

(b) Segment information as at 31 December 2015 and for the year ended 31 December 2015 is as follows:

	Construction contract	Equipment manufacturing	Resource development	Real Estate	Others	Undistributed amount	Elimination	Total
Revenue	18,630,410.68	713,294.79	1,944,128.96	928,605.31	311,925.47	0.00	-335,414.81	22,192,950.40
Including:								
Revenue from external customers	18,430,069.60	704,094.12	1,940,451.09	851,783.87	266,551.72	0.00	0.00	22,192,950.40
Inter-segment revenue	200,341.08	9,200.68	3,677.87	76,821.44	45,373.74	0.00	-335,414.81	0.00
Income from joint ventures and associates enterprise	-30,394.43	0.00	15,219.52	0.00	-223.62	0.00	0.00	-15,398.53
Loss from Assets								
Devaluation	260,302.24	158,444.01	31,377.37	14,504.12	13,800.37	0.00	0.00	478,428.11
Depreciation and amortisation	157,051.80	103,299.93	7,149.75	35,951.50	22,150.13	0.00	0.00	325,603.11
Total profit / (losses)	756,727.92	-297,141.11	258,294.57	6,830.31	-22,009.10	-19,461.12	3,611.47	686,852.94
Income tax expense	113,350.31	-34.79	86,949.46	6,354.21	13,033.28	0.00	0.00	219,652.47
Net profit / (losses)	643,377.61	-297,106.32	171,345.11	476.10	-35,042.38	-19,461.12	3,611.47	467,200.47
Total assets	23,818,722.23	2,425,338.87	9,307,634.67	1,902,932.48	4,383,928.73	373,348.59	-6,785,856.05	35,426,049.52
Total Liabilities	19,941,819.91	2,411,488.88	7,178,204.64	1,237,502.87	4,046,968.73	32,530.49	-6,563,641.92	28,284,873.60
Other main non-cash expenses	244,892.14	158,444.01	38,133.05	14,504.12	20,015.41	0.00	0.00	475,988.73
Of which: Other non-cash expenses other than depreciation and amortization	260,302.24	158,444.01	31,377.37	14,504.12	13,800.37	0.00	0.00	478,428.11
Additional amount of long-term equity investment on joint operation and joint venture enterprises	-15,410.10	0.00	6,755.67	0.00	6,215.05	0.00	0.00	-2,439.38

11 Segment information (Continued)

- (c) The Group's revenue from external customers domestically and other countries/regions, and the Group's total non-current assets excluding financial assets and deferred tax assets domestically and other countries/regions are as follows:

Revenue from external customers	2016	2015
China	21,240,370.99	20,578,719.06
Other countries/regions	1,242,963.90	1,614,231.34
	<u>22,483,334.89</u>	<u>22,192,950.40</u>
Total non-current assets	31 December 2016	31 December 2015
China	4,712,307.47	4,712,141.28
Other countries/regions	1,396,684.21	1,217,579.44
	<u>6,108,991.68</u>	<u>5,929,720.72</u>

- (d) The degree of dependence on main customers

There is no external customer who the amount of sales accounts for the group revenue is 10% or above.

12 Commitments

- (1) Significant capital commitments

	31 December 2016	31 December 2015
Houses, buildings and equipment	2,412,234.29	2,484,157.61
Intangible assets	121,964.41	442,326.58
	<u>2,534,198.70</u>	<u>2,926,484.19</u>

- (2) Operating lease commitments

See Note 9.

- (3) Investment abroad commitments

None.

13 Contingencies

(1) Guarantee

Guarantor	Secured party	Guarantee Item	Guarantee Amount
Capital Engeneering & Reaserch Incorporation Limited The owner mortgage-backed (Note)	Shigang CERI Equipment Technology Co., Ltd.	Joint liability guarantee	15,300.00 604,595.50
China Metallurgical Group Corporation	MCC Meili Paper Industry Co., Ltd.	Joint liabilityguaran tee	15,600.00 <u>635,495.50</u>

Note: Real Estate subsidiary of the Group offer mortgate guarantee for the purchaser of commercial residential building according to the Real Estate management practices. Guarantee type was periodic guarantee, as the guarantee period from the day of the enforcement of this contract to the date of "Real Estate license" has been processed and mortgage registration formalities has been completed and turn over to the bank. The Group thinks there is a lesser risk to provide such guarantee.

(2) Pending lawsuits

The amount of significant pending litigation of the Group who was a defendant was RMB 202,512.91 ten thousand yuan until Dec 31, 2016.

The Group involving several litigation and other legal procedures occurred in daily business. When management could reasonably estimate the result of the dispute according to the judgment and considering legal advice of the action, the Group would make the estimated debts for the possible losses. Or would not. Unitl december 31, 2016, the management is provisions estimated debts of RMB 2,510.50 ten thousandyuan for pending litigation.

(3) Other contingency

In 2012, due to extreme weather events such as hurricouldes and many other aspects, western Australia Sino iron project progress is given period lagging behind, causing a huge increase in project cost, which was beyond their budget. Management thought of the Group would take the measures to insurance time limit and control cost, shorten a project delay and reduce the loss that causes because of delays. For the claim reimbursement clause in the contract signed of the damage caused by contractor delay, the Group fully communication with the citic Group, both sides believe that the cause of project delays are various, and agreed to compromise and consultation, and the second main process line loading the linkage on April 15, 2013.

13 Contingencies (Continued)

(3) Other contingency (Continued)

In 2013, the technical question of slip ring motor which was purchased by citic Group from an overseas equipment supplier leads future delay of second main process line loading the linkage. According to the assessment, the Group has been properly implemented the construction of article 2 of the main process line and fulfilled the obligations of work scope agreed with citic Group, the reason of delay of the second production line loading the linkage is mainly due to the slip ring motors did not pass the test.

Until the financial report, the owner did not lodge a claim against the project delay of the Group. The Group has to shorten the period of delay, and according to the consensus reached through communication with the owners, the Group think that there is a remote possibility for the claim from owner, so no estimated debts need to be prevised.

14 Non-adjusting events post balance sheet date

None.

15 Related parties and related party transactions

(1) Parent and ultimate party

(a) General information of parents

The ultimately controlling party of the Group is SASAC.

(2) General information of subsidiaries

Please refer to Note 18.

(3) Joint venture and associates

Please refer to Note 8(16): Long-term equity investment.

(4) Related party transaction

(a) Pricing policies

The Group's pricing on products sold to related parties and raw materials purchased from related parties is based on market price.

(b) Sale of goods

	2016	2015
Stone Steel Jingcheng Equipment Technology Co., Ltd	959.42	379.87
Inner Mongolia MCC Real Estate Co., Ltd	0.00	390.88
Wuhan Hanwei External refining Engineering Co., Ltd	0.00	2,130.73
Minmetals Nonferrous Metals Company Limited	2,178.41	0.00
Minmetals Yingkou plate limited liability company	1,775.02	0.00
Minmetals Wuxi Logistics Park Co., Ltd	37.74	0.00
	<u>4,950.59</u>	<u>2,901.48</u>

15 Related parties and related party transactions(Continued)

(4) Related party transaction(Continued)

(c) Rendering service

	2016	2015
Wuhan Zhongyi Investment & Construction Co., Ltd	45,812.20	98,190.46
Suining Kaihong Construction Development Co., Ltd	41,600.55	0.00
Guizhou Zi Wang Expressway Construction Co.,	31,931.42	0.00
LtdGuizhou Sanshi Expressway Construction Co., Ltd	31,122.94	0.00
Chongqing Wansheng Xihua Road Construction Co., Ltd	24,497.48	0.00
Hebei Zhongye Mingrun Real Estate Development Co., Ltd	22,592.48	0.00
Si County in the construction of Investment Co., Ltd	22,030.88	0.00
Ma On Shan Tourism Travel Investment Co., Ltd	11,946.81	0.00
Nanjing Zhongkang Construction and Development Co., Ltd.	8,216.44	0.00
Fuzhou China Metallurgical Infrastructure Investment Co., Ltd	5,971.96	0.00
Chongqing Jijiye Construction Engineering Co., Ltd	5,537.94	0.00
Tangshan China Metallurgical Fangzhou Real Estate Development Co., Ltd	2,187.78	278.98
Tianjin China Metallurgical Mission City Development Co., Ltd.	1,937.74	2,905.66
Zhanjiang Baoxi sai Di turn furnace Technology Co., Ltd.	1,082.36	0.00
Tangshan twenty - two governance million building real estate development Limited	974.14	3,653.25
Suzhou City in the construction of the China Metallurgical Development Co	968.00	26,213.27
Tianjin China Metallurgical Xinhua home limited liability company	630.02	4,551.47
Harbin Shuangqi Environmental Resources Utilization Co., Ltd	502.78	0.00
Shanghai Tongbao Construction Robot Co., Ltd.	366.90	0.00
Ma On Shan China Metallurgical Economic and	273.22	1,458.36
Tianjin Metallurgical Chengyuan Real Estate Co., Ltd	104.14	0.00
Tianjin Metallurgical and Garden Properties Limited	0.00	7,653.42
Baotou City, China Metallurgical home limited liability company	0.00	2,197.66
Chongqing Xinlian Iron and Steel Equipment Technology Co., Ltd	0.00	825.03
Tianjin Zhongyun Equipment Manufacturing Co., Ltd	0.00	355.73
SL-GV-MCC Pte Ltd	0.00	304.10
China Metallurgical Jingcheng (Xiangtan) Heavy Equipment Co., Ltd.	0.00	49.00
Minmetals Copper (Hunan) Co., Ltd	24,314.11	0.00
Hunan Nonferrous Xintianling Tungsten Industry Co., Ltd	788.75	0.00
Minmetals Hanxing Mining Co., Ltd	128.48	0.00
Anhui Development Mining Co., Ltd	69.23	0.00
Minmetals 23 Metallurgical Construction Group Co., Ltd	27.35	0.00
	<u>285,616.10</u>	<u>148,636.41</u>

15 Related parties and related party transactions(Continued)

(4) Related party transaction(Continued)

(d) Purchasing goods

	2016	2015
Tangshan Caofeidian twenty - two Metallurgical Engineering Technology Co., Ltd	100,791.39	3,751.12
Shanghai Yue Pu South Concrete Co., Ltd	6,099.31	2,539.62
Stone Steel Jingcheng Equipment Technology Co.	4,221.52	4,518.46
Shanghai Tongji Baoye Construction Robot Co.	342.88	99.00
China Metallurgical Jingcheng (Xiangtan) Heavy Equipment Co.	340.74	412.91
Shanghai Zhongye Xiangqi Investment Co.	315.85	0.00
Tianjin sai Rui Machinery Equipment Co.	145.73	38.46
Minmetals Steel Chengdu Co., Ltd	12,340.52	0.00
Minmetals Steel Beijing Limited	10,816.90	0.00
Minmetals Steel Tianjin Limited	9,540.69	0.00
Minmetals Steel Xiamen Limited	5,354.74	0.00
Minmetals Steel Lanzhou Ltd	4,724.44	0.00
Minmetals Steel Qingdao Limited	4,640.41	0.00
Minmetals Steel Xi'an Co., Ltd	1,487.58	0.00
Minmetals Steel (Wuhan) Co., Ltd	3,117.62	0.00
Minmetals Steel Shanghai Ltd	3,043.28	0.00
Minmetals Steel Guangzhou Limited	1,930.80	0.00
Minmetals Steel Harbin Ltd	966.26	0.00
Minmetals Steel Shenyang Co., Ltd	575.00	0.00
Minmetals Steel Hangzhou Co., Ltd.	202.54	0.00
Minmetals Yingkou plate limited liability company	20.43	0.00
Hunan colored heavy machinery limited liability company	0.79	0.00
	<u>171,019.42</u>	<u>11,359.57</u>

15 Related parties and related party transactions(Continued)

(4) Related party transaction(Continued)

(e) Accepting services

	2016	2015
China Metallurgical Wuhan Lutheran Brothers Sun		
Donglin Engineering Technology Co., Ltd.	3,768.92	0.00
Wuhan Zhonghe Engineering & Technology Co., Ltd.	40.00	7.81
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	0.00	31.00
Shanghai Tongji Baoye Construction Robot Co., Ltd.	0.00	0.00
Minmetals Ruihe (Shanghai) Construction Co., Ltd	627.94	0.00
Minmetals 23 Metallurgical Construction Group Co., Ltd	450.00	0.00
Changsha Mine Research Institute limited liability company	20.00	0.00
	<u>4,906.86</u>	<u>2,958.82</u>

(f) Lease Expense

None.

(g) Offering for security

The name of the secured party	Amount	Beginning date	Due date	Carried out or not
Shigang CERI equipment technology Co., Ltd	9,000.00	2009/06/18	2017/12/02	No
Shigang CERI equipment technology Co., Ltd	6,300.00	2010/02/02	2017/12/02	No

15 Related parties and related party transactions(Continued)

(5) Receivables from and payables to related parties

(a) Accounts receivable

	31 December 2016		31 December 2015	
	Book balance	Bad debt	Book balance	Bad debt
Hebei Zhongye Mingrun Real Estate Development Co., Ltd	20,015.68	0.00	0.00	0.00
Tangshan Caofeidian twenty - two Metallurgical Engineering Technology Co., Ltd	14,823.79	4,248.89	15,127.35	6,100.73
Tianjin China Metallurgical Mission City Development Co., Ltd	14,488.94	27.71	12,755.14	69.31
Tianjin Zhongyeheyuan Property Co., Ltd	13,057.04	848.91	16,160.52	54.94
Tangshan China Metallurgical Fangzhou Real Estate Development Co., Ltd	11,235.36	400.26	8,047.60	311.43
Guizhou Sanshi Expressway Construction Co., Ltd	7,364.57	319.82	0.00	0.00
Stone Steel Jingcheng Equipment Technology Co., Ltd	6,235.16	1,237.03	8,162.92	1,145.64
Si County in the construction of Investment Co., Ltd	5,436.91	0.00	0.00	0.00
Baotou City, China Metallurgical home limited liability company	4,823.10	1,093.14	5,042.16	404.82
Fuzhou China Metallurgical Infrastructure Investment Co., Ltd	3,333.60	0.00	0.00	0.00
Guizhou Zi Wang Expressway Construction Co., Ltd	2,830.96	0.00	0.00	0.00
Tianjin China Metallurgical Xinhua home limited liability company	2,412.50	241.25	7,702.50	385.13
Shanghai United Car Road Development and Construction Co., Ltd	2,273.53	1,128.16	2,273.53	630.65
Tangshan twenty - two governance million building real estate development Limited	1,440.73	0.00	2,821.78	0.00
Nanjing Zhongkang Construction and Development Co., Ltd	1,307.75	0.00	0.00	0.00
Chongqing Jijiye Construction Engineering Co., Ltd	1,158.43	0.00	0.00	0.00
Harbin Shuangqi Environmental Resources Utilization Co., Ltd	1,092.44	0.00	0.00	0.00
Zhanjiang Baoxi sai Di turn furnace Technology Co., Ltd	971.17	48.56	0.00	0.00
Ma On Shan Tourism Travel Investment Co., Ltd	808.69	0.00	0.00	0.00
Shanghai Tongbao Construction Robot Co., Ltd.	229.9	11.49	0.00	0.00
Tianjin Zhongyun Equipment Manufacturing Co., Ltd	37.48	2.25	7.48	0.37
China Metallurgical Jingcheng (Xiangtan) Heavy Equipment Co., Ltd.	25.00	0.00	0.00	0.00

15 Related parties and related party transactions(Continued)

(5) Receivables from and payables to related parties(Continued)

(a) Accounts receivable

	<u>31 December 2016</u>		<u>31 December 2015</u>	
Suzhou City in the construction of the China Metallurgical Development Co	6.05	0.00	686.05	0.00
Wuhan Hanwei furnace outside the Refining Engineering Co., Ltd	0.00	0.00	2,130.73	145.12
Chongqing Xinlian Iron and Steel Equipment Technology Co., Ltd	0.00	0.00	816.80	41.80
Suzhou City in the construction of the China Metallurgical Development Co	0.00	0.00	686.05	0.00
SL-GV-MCC PTE LTD	0.00	0.00	467.30	0.00
Minmetals Copper (Hunan) Co., Ltd	9,787.04	0.00	0.00	0.00
Minmetals Yingkou plate limited liability company	3,005.56	62.02	0.00	0.00
Minmetals Hanxing Mining Co., Ltd	893.96	0.00	0.00	0.00
Anhui Development Mining Co., Ltd	139.65	4.90	0.00	0.00
Minmetals 23 Metallurgical Construction Group Co., Ltd	66.69	0.00	0.00	0.00
	<u>129,301.68</u>	<u>9,674.39</u>	<u>82,887.91</u>	<u>9,289.94</u>

15 Related parties and related party transactions(continued)

(5) Receivables from and payables to related parties(continued)

(b) Accounts payable

	31 December 2016	31 December 2015
Tangshan Caofeidian twenty - two Metallurgical Engineering Technology Co., Ltd	27,286.81	3,751.12
Shanghai Yue Pu South Concrete Co., Ltd	3,116.45	3,781.04
Stone Steel Jingcheng Equipment Technology Co., Ltd	1,906.55	2,591.90
Tianjin sai Rui Machinery Equipment Co., Ltd	518.78	1,111.48
Shanghai Tongji Baoye Construction Robot Co., Ltd.	274.29	76.00
Wuhan Zhonghe Engineering Technology Co., Ltd	90.27	84.27
China Metallurgical Jingcheng (Xiangtan) Heavy Equipment Co., Ltd.	3.65	3.65
Tianjin Zhongyun Equipment Manufacturing Co., Ltd	0.00	2,337.05
Minmetals Steel Chengdu Co., Ltd	7,558.25	0.00
Minmetals Steel Tianjin Co., Ltd	4,262.02	0.00
Minmetals Steel Qingdao Limited	4,252.80	0.00
Minmetals 23 Metallurgical Construction Group Co., Ltd	3,675.81	0.00
Minmetals Steel Lanzhou Ltd	2,860.09	0.00
Minmetals Steel Guangzhou Limited	2,085.25	0.00
Minmetals Steel Shanghai Ltd	1,228.88	0.00
Minmetals Steel (Wuhan) Co., Ltd	1,181.39	0.00
Minmetals Steel Xiamen Limited	805.04	0.00
Minmetals Steel Harbin Ltd	702.85	0.00
Minmetals Steel Shenyang Co., Ltd	624.47	0.00
Minmetals Steel Xi'an Co., Ltd	399.36	0.00
Minmetals Steel Beijing Limited	366.75	0.00
Minmetals Steel Hangzhou Co., Ltd.	177.99	0.00
Hunan colored heavy machinery limited liability company	35.80	0.00
Minmetals Yingkou plate limited liability company	3.69	0.00
	<u>63,417.24</u>	<u>13,736.51</u>

16 Business combination

- (1) Business combination without common control
None

17 Exchange of non-monetary assets and debt restructuring

- (1) Exchange of non-monetary assets
None.
- (2) Debt restructuring
None.

18 Subsidiaries

Details of subsidiaries included in the consolidation scope as at 31 December 2016 are as follows:

No	Company	Equity Interest (%)	Voting right (%)	Character	Registered location	Registered Capital	Investment amount	Tier	Type of company	Note
1.	MCC Huludao Nonferrous Metals Group Co., Ltd.	55.00	55.00	Lead and zinc smelting	Liaoning	166,065.00	30,580.00	2	1	Negotiated acquisition
2.	MCC Assets Management Co., Ltd.	100.00	100.00	Assets management	Beijing	100.00	5,712.05	2	1	Establishment
3.	China Metallurgical Group Co., Ltd.	64.18	64.18	Engineering, Real Estate development, Manufacturing, Resource development, etc.	Beijing	1,911,000.00	1,940,042.96	2	1	Establishment

Note: Type enterprise: 1. Domestic non-financial subsidiary; 2. Domestic financial subsidiary; 3. Overseas subsidiary; 4. Public institution; 5. Capital construction unit]

Note: By the China Metallurgical Science and Technology Co., Ltd. 2016 the first extraordinary general meeting, the first general meeting of shareholders in 2016 and the first H shares in 2016 General Meeting of shareholders to consider and approved by the SFC "on the approval (No. 2094) No. 1794) approved by China Metallurgical Science and Technology Co., Ltd. on December 26, 2016 at a price of RMB 3.86 per share to the specific investment (RMB A) of RMB1,136 million shares with par value of RMB1 per share, after deducting the issuance expenses of RMB50.07 million, actually received non-public offering of shares on December 30, 2016 RMB 617,349 Million yuan. The non-public offering of funds raised funds have been Deloitte Touche Tohmatsu Certified Public Accountants (special general partnership) verification, and in December 31, 2016 issued by the German newspaper (test word (16) No. 1081 capital verification report The After the issuance, the total share capital of China Metallurgical Branch Co., Ltd. was 2,072,362 million shares. January 6, 2017, China Metallurgical Science and Technology Co., Ltd. has been in China Securities Depository and Clearing Co., Ltd. to complete the 2016 non-public offering of A shares registered, China Metallurgical Group of China Metallurgical Branch Co., Ltd. shareholding ratio and the proportion of voting rights fell to 59.18%.

19 Notes to the consolidated financial statements of parent company

(1) Accounts receivable

	31 December 2016	31 December 2015
Accounts receivable	965.95	2,719.57
Less: bad debts	381.44	381.44
	<u>584.51</u>	<u>2,338.13</u>

(a) The ageing of accounts receivable bad debts are analysed below:

	31 December 2016	31 December 2015
Within 1 year	39.75	1,003.47
1 to 2 years	25.87	1,030.23
1 to 2 years	489.40	515.13
3 to 4 years	240.20	119.00
4 to 5 years	119.00	25.87
Over 5 years	51.73	25.87
	<u>965.95</u>	<u>2,719.57</u>

(b) The accounts receivable analyzed as below according to classification:

	31 December 2016			
	Amount	Accounting for remaining (%)	Provision for bad debts	Accruing percentage (%)
Single amount is material and accrue provision for bad debts individually	0.00	0.00	0.00	0.00
Accruing provision for bad debts according to combination:				
Combination 1	0.00	0.00	0.00	0.00
Combination 2	584.51	60.51	0.00	0.00
Single amount is immaterial, but make individual provision for bad debts	381.44	39.49	381.44	100.00
	<u>965.95</u>	<u>100.00</u>	<u>381.44</u>	<u>--</u>

19 Notes to the consolidated financial statements of parent company(Continued)

(1) Accounts receivable(Continued)

(b) The accounts receivable analyzed as below according to classification(Continued)

31 December 2015				
	Amount	Accounting for remaining (%)	Provision for Bad debts	Accruing percentage (%)
Single amount is material and accrue provision for bad debts individually	0.00	0.00	0.00	0.00
Accruing provision for bad debts according to combination:				
Combination 1	0.00	0.00	0.00	0.00
Combination 2	2,338.13	86.00	0.00	0.00
Single amount is immaterial, but make individual provision for bad debts	381.44	14.00	381.44	100.00
	<u>2,719.57</u>	<u>100.00</u>	<u>381.44</u>	<u>--</u>

- (c) On December 31, 2016, there is no the amounts receivable for single material amount with individual provision for bad debts.
- (d) On December 31 2016, the immaterial amounts of receivable with individual provision for bad debts analyze as below:

Debt Unit	Amount	Provision for bad debts	Aging	Accruing percentage (%)	Reason
Unit 1	381.44	381.44	2-3 years	100.00	Provision was made based on management assessment of current available evidence
	<u>381.44</u>	<u>381.44</u>			

19 Notes to the consolidated financial statements of parent company(Continued)

(2) Other receivables

	31 December 2016	31 December 2015
Others	1,059,503.64	1,057,258.00
Less: bad debts	<u>723,562.71</u>	<u>723,312.49</u>
	<u>335,940.93</u>	<u>333,945.51</u>

(a) The aging of other receivables is analysed as below:

	31 December 2016	31 December 2015
Within 1 year	2,671.81	2,530.76
1 to 2 years	1,526.24	201,752.45
2 to 3 years	201,720.08	805,388.33
3 to 4 years	806,619.05	7,388.75
4 to 5 years	7,388.75	0.00
Over 5 years	<u>39,577.71</u>	<u>40,197.71</u>
	<u>1,059,503.64</u>	<u>1,057,258.00</u>

(b) The category of other receivables is analysed as below:

	31 December 2016			
	Balance	Ratio in total amt (%)	Bad debts	Provision ratio (%)
Significant amounts of other receivables using specific identification method for provision for bad debts	791,506.51	74.70	722,957.84	91.34
Provision for bad debts in combination				
Combination 1	1,871.19	0.18	604.87	32.33
Combination 2	266,125.94	25.12	0.00	0.00
Insignificant amounts of other receivables using specific identification method for provision for bad debts	0.00	0.00	0.00	0.00
	<u>1,059,503.64</u>	<u>100.00</u>	<u>723,562.71</u>	<u>--</u>

19 Notes to the consolidated financial statements of parent company(Continued)

(2) Other receivables(Continued)

(b) The category of other receivables is analysed as below(Continued):

	Balance	31 December 2015 Ratio in total amt (%)	Bad debts	Provision ratio (%)
Significant amounts of other receivables using specific identification method for provision for bad debts	791,107.51	74.83	722,957.84	91.39
Provision for bad debts in combination				
Combination 1	1,871.19	0.17	354.65	18.95
Combination 2	264,279.30	25.00	0.00	0.00
Insignificant amounts of other receivables using specific identification method for provision for bad debts	0.00	0.00	0.00	0.00
	<u>1,057,258.00</u>	<u>100.00</u>	<u>723,312.49</u>	<u>0.00</u>

(c) On 31 Dec 2016, insignificant amount of other receivables using specific identification method for provision for bad debts as follows:

Debt unit	Balance	Bad Debt	Aging	Provision Ratio (%)	Reason
Unit 1	<u>791,506.51</u>	<u>722,957.84</u>	1-4years	91.34	Accrued by the evidence obtained
	<u>791,506.51</u>	<u>722,957.84</u>			

(d) The ageing of other receivables of in combined provision for bad debts is analysed as below:

	31 December 2016			
	Amount	Ratio in total amount (%)	Bad debts	Provision ratio(%)
Within 1 year	0.00	0.00	0.00	0.00
1 to 2 years	826.82	44.19	82.68	10.00
2 to 3 years	0.00	0.00	0.00	0.00
3 to 4 years	1044.37	55.81	522.19	50.00
4 to 5 years	0.00	0.00	0.00	0.00
Over 5 years	0.00	0.00	0.00	0.00
	<u>1,871.19</u>	<u>100.00</u>	<u>604.87</u>	<u>0.00</u>

(e) On 31 Dec 2016, there is no insignificant amount of other receivables using specific identification method for provision for bad debts

19 Notes to the consolidated financial statements of parent company(Continued)

(3) Long-term equity investment

	1 Jan 2016	Current year additions	Current year reduction	31 Dec 2016
Investment in subsidiary	1,976,335.00	0.00	0.00	1,976,335.00
Joint ventures investment	0.00	0.00	0.00	0.00
Associates investment	0.00	0.00	0.00	0.00
	1,976,335.00	0.00	0.00	1,976,335.00
Less: Long-term equity investment reduction reserves	0.00	0.00	0.00	0.00
	1,976,335.00	0.00	0.00	1,976,335.00

(4) Revenue and cost of sales

	2016		2015	
	Revenue	Cost of sales	Revenue	Cost of sales
-Rent	11,114.24	5,670.88	10,767.82	5,656.39
-Others	0.00	0.00	0.00	0.00
	11,114.24	5,670.88	10,767.82	5,656.39

(5) Investment income

	2016	2015
Income from long-term equity investment under cost method	67,458.10	61,325.55
Income from long-term equity investment under equity method	0.00	0.00
Income from disposal of long-term equity investments	0.00	-5.00
Income from financial assets available for trading	0.00	0.00
Income from held-to-maturity financial assets held for trading	0.00	0.00
Others	0.00	0.00
	67,458.10	61,325.55

19 Notes to the consolidated financial statements of parent company(Continued)

(6) Notes to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2016	2015
(Net loss)/Net profit	-7,236.61	-807.55
Add: Provisions for assets impairment/(return)	250.22	250.22
Fixed assets depreciation	5,756.66	5,759.01
Amortization of intangible assets	64.67	64.67
Amortization of long-term prepaid expenses		
Losses/(Gains) on disposal of fixed assets, intangible assets and other long-term assets	-106.42	-64.22
Losses/(Gains) on scrapping of fixed assets	0.00	0.00
Losses/(gains) on change in fair value	0.00	0.00
Financial expenses	68,876.65	-2,645.76
Investment income	-67,458.1	-61,325.54
Decrease/(Increase) in deferred tax assets	0.00	0.00
Increase/(Decrease) in deferred tax liabilities	0.00	0.00
Decrease/(Increase) in inventories	0.00	0.00
Decrease/(Increase) in operating receivables	-29,366.36	71,816.82
Increase/(Decrease) in operating payables	-4,207.23	-7,178.72
Others	0.00	-7,227.83
Net cash flows from operating activities	<u>-18,953.30</u>	<u>-1,358.90</u>

(6) Notes to consolidated cash flow statements(Continued)

(b) Net change in cash and cash equivalents

	2016	2015
Cash at end of year	164,861.80	131,431.68
Minus : cash at beginning of year	131,431.68	363,953.34
Plus: year end balance of cash equivalent	0.00	0.00
Minus: balance at the beginning of year for cash equivalent	0.00	0.00
Net change in cash and cash equivalents	<u>33,430.12</u>	<u>-232,521.66</u>

20 Approval of consolidated financial statements

The above consolidated financial statements have been approved and reported by the Group.

CHINA METALLURGICAL GROUP CORPORATION
Notes to the Consolidated Financial Statements
For the year ended 31 December 2016
(All amounts in RMB Ten Thousand Yuan unless otherwise stated)
[English translation for reference only]

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Company Name : China Metallurgical Group Corporation

Legal representative:

闫 文 强

Date: 28 March 2017

Accountant:

邵 长 黄

Date: 28 March 2017

Head of accounting firm:

范 万 程

Date: 28 March 2017



营业执照

(11-1)

(副本)

统一社会信用代码 91110102089661664J



名称 中天运会计师事务所（特殊普通合伙）

类型 特殊普通合伙企业

主要经营场所 北京市西城区车公庄大街9号院1号楼1门701-704

执行事务合伙人 祝卫

成立日期 2013年12月13日

合伙期限 2013年12月13日至 长期

经营范围 审查企业会计报表、出具审计报告；验证企业资本，出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训、资产评估；法律、法规规定的其他业务。（企业依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事本市产业政策禁止和限制类项目的经营活动。）



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提示：每年1月1日至6月30日通过企业信用信息公示系统报送上一年度年度报告并公示。

2017