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METALLURGICAL CORPORATION OF CHINA LTD. *

中國冶金科工股份有限公司

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

(Stock Code: 1618)

2017 INTERIM RESULTS ANNOUNCEMENT

OVERVIEW

The highlights of the Company's financial position as at 30 June 2017 and the operating results for the six months ended 30 June 2017 are as follows:

- Newly signed contracts were worth RMB297,779 million, representing a year-on-year increase of RMB53,539 million or 21.92% from RMB244,240 million in the first half of 2016.
- Operating revenue amounted to RMB101,085 million, representing a year-on-year increase of RMB5,260 million or 5.49% from RMB95,825 million in the first half of 2016.
- Operating profit amounted to RMB3,808 million, representing a year-on-year increase of RMB566 million or 17.46% from RMB3,242 million in the first half of 2016.
- Net profit amounted to RMB2,918 million, representing a year-on-year increase of RMB91 million or 3.21% from RMB2,827 million in the first half of 2016.
- Net profit attributable to shareholders of the listed company amounted to RMB2,675 million, representing a year-on-year increase of RMB259 million or 10.71% from RMB2,416 million in the first half of 2016.
- Basic earnings per share amounted to RMB0.11, which was the same as that in the first half of 2016.
- As at 30 June 2017, total assets amounted to RMB402,695 million, representing an increase of RMB25,203 million or 6.68% from RMB377,492 million as at 31 December 2016.
- As at 30 June 2017, total shareholders' equity amounted to RMB91,284 million, representing an increase of RMB8,176 million or 9.84% from RMB83,108 million as at 31 December 2016.

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

I. CHAIRMAN'S STATEMENT

Dear Shareholders,

Success is achieved through nothing other than determination, and business expansion is possible only through hard work and dedication. Looking back to the first half of the year, MCC insisted on adhering to the strategic positioning of “being the national team for metallurgical construction, the main force for the fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”, seized the market, focused on innovation, strengthened management, accelerated upgrading, realized constant promotion in competitive advantages, and maintained a promising development momentum with steady improvement. During the Reporting Period, the number of newly signed contracts increased under the favorable situation and momentum, and the value of newly signed contracts amounted to RMB297.779 billion, representing a year-on-year increase of 21.92%; the realized operating revenue amounted to RMB101.085 billion, representing a year-on-year increase of 5.49%; whilst the realized total profit amounted to RMB3.974 billion, representing a year-on-year increase of 11.12%; and the net profit attributable to Shareholders of the Company amounted to RMB2.675 billion, representing a year-on-year increase of 10.71%, which laid a solid foundation for maintaining steady development and completion of the business objectives and tasks for the year in the second half of the year.

The Company made a breakthrough again in the traditional metallurgical industry with a year-on-year increase of 41% in the value of newly signed contracts. The implementation of a large number of domestic and overseas iron and steel metallurgy projects established the world-renowned “MCC benchmark”. The operation of Ha Tinh Steel Project in Vietnam successfully achieved the overall industry chain output of greenland steel in international ten-million tonnage level from techniques, design, construction, equipment to project management. The Company undertook all main units in Hebei Zongheng Fengnan Iron and Steel project, the largest metallurgical engineering project under construction, further enhanced its market influence. The infrastructure construction business experienced steady growth, achieved new major breakthrough in rail transit and highway markets, highlighted its new competitive advantages in emerging industries, the technical standardization, standardization of products and marketization of products in market segments such as piping system and beautiful countryside rapidly achieved outcome, which strengthened the position of “forerunner” of MCC in the emerging industries. The sustained growth in performance benefitted from strong support from public investors and different sectors in the society and inevitably, the hard work and contribution of all staff.

On behalf of the Board and the management of the Company, I hereby would like to express my sincere gratitude to public investors who have been giving support to the development of the Company, different sectors in the society which care about the growth of the Company and all staff who share pleasures and pains with the Company.

Those who penetrate the trend are intelligent and those who control the trend will be successful. In the second half of the year, encountering the economic situation with both steady growth and downward pressure as well as new situation, new features and new opportunities for industrial development, MCC will continue to deepen the supply-side structural reform, take advantage of the situation and the momentum, enhance the enterprise innovation ability, make up and reinforce the management ability, improve the ability to get market breakthrough, stimulate the vitality and combat effectiveness to create a core competitiveness of enterprise with “proficient specialization and strong industrial chain”, and promote the core business to be proficient, perfect and prominent.

We will unswervingly promote the major traditional metallurgical industry to be advanced, optimized and re-created, serving for the transformation upgrading of the global iron and steel industry. The Company will seize the opportunities of growth in quality of global iron and steel industrial structure and adjustment to product structure, closely link to remarkable opportunities of international capacity cooperation brought by “the Belt and Road”, take initiatives in response to the new momentum and make adjustments in response to continuous transformation, always adhere to creating the top 1 “national team” for iron and steel metallurgical construction and operating services in the world by making use of the leading core technology, continuous reform and innovation capability and irreplaceable integration advantages in the entire industrial chain of metallurgical industry, and undertake the national responsibilities to lead the metallurgical industry in the PRC to reach a higher standard and advance towards the world.

We will unswervingly promote the fundamental construction and create features with focused efforts, serving for the development of new-type urbanization. The Company will focus on Beijing-Tianjin-Hebei, Yangtze River Delta, Pearl River Delta, the middle reaches of the Yangtze River, agglomeration of cities in Chengdu and Chongqing and key countries under “the Belt and Road”, aim at the new opportunities of highways, rail transit and other market segments, continue to deepen the design and operation of “macro environment, heavyweight clients and mega projects”, adhere to the development concept of “retaining existing customers and gaining new customers”, strengthen high-end marketing, high-value marketing and professional marketing, vigorously seize the high-end market of fundamental construction. We will also promote the design-type subsidiaries to enhance, refine, and optimize the high-end consultation, plan, design and supervision, forming a brand with absolute advantage, and carry forward the construction-type subsidiaries to speed up the enhancement of general construction contracting taking the project integrated management capacity as the center to achieve both large scale and high efficiency. The Company will achieve “resonance effect” on enterprise development and national development in the development of new-type urbanization and the big wave of “the Belt and Road” by “double upgrading” of integrated solutions service capabilities and specialized service capabilities.

We will unswervingly promote the emerging industries, speed up the development to take the leading position and expand the advantages, and serve for the beautiful China. Facing the majestic trend of emerging industries, we will pay a lot of effort to focus on development of “long-term business” which can generate a continuous cash flow, strive for outstanding results in overall businesses such as healthcare industry, piping system, sponge city, water environment, soil restoration, energy saving and environmental protection, enter “highway” from “ramp”, thereby increasing its leading advantages. We will become an environmental comprehensive solution provider inseparable from customers by keeping track of technology research and development and productization from core technology, keeping track of technological innovation and business model innovation as well as providing vigorous “technologies + products + services”.

Singing a song of glory, impassioned and indefatigable like a great river rolling on. Standing at a new starting point with ideal situation and the momentum, MCC will usher in broader development prospects. We believe that all MCC staff with down-to-earth and pragmatic spirit of “without wasting one day, without being lazy for one day” will be capable to develop a better future of “focusing on the core businesses in building a better MCC”, and create new and greater value for the country, Shareholders, communities and staff.

II. BUSINESS OVERVIEW

(I) Explanation for the principal businesses and operating models of the company and the industries in which the company was involved during the reporting period

1. *Engineering Contracting Business*

(1) *Industry Overview*

① Domestic Market

In the first half of 2017, China has continued to achieve a stable performance while at the same time secured progress and good prospect in its economic development since last year. There have been more positive changes in the economy and a further increase in the favorable factors that support economy to grow at mid-high speed and to develop towards the mid-high level, which made it more obvious that the economy will tend to achieve a stable performance with good prospect. China continued to push forward the reforms on key areas and segments in great depth with a focus on supply-side structural reform, which resulted in a gradual increase of favorable conditions for the steady economic growth at mid-high speed. Hence, the industrial transformation and upgrade have achieved considerable progress, with some improvement in corporate profits and an increase in total import and export volume by 19.6% (among which, the total export volume demonstrated a year-on-year increase of 15%), which reversed the downward trend in the past two years. Meanwhile, the domestic economy was affected in certain aspects such as deleveraging and tightening regulation for the financial sector and adjustments in the real estate market, and there was certain pressure of adjustments in short term. According to the data of the National Bureau of Statistics, the economic growth rate for the first half of 2017 is 6.9%, which, although slows down, is maintained at a mid-high growth rate and continues to be at the forefront among the world's major economies. In the first half of 2017, the national investment in fixed assets (excluding farmers) amounted to RMB28,060.5 billion, representing an increase of 8.60%. The growth momentum has stabilized and rebounded.

In respect of the market of metallurgical engineering, in the first half of 2017, the investment in fixed assets for both the ferrous metal smelting and rolling processing industry and the nonferrous metal smelting and rolling processing industry represented a year-on-year decrease of 11.90% and 4.70% respectively, which indicates the end of the large scale and high intensity construction period of the domestic iron and steel industry. However, with the further advancement of supply-side structural reform, there has been a gradual increase of opportunities in relation to transformation and upgrading, energy saving and environmental protection and operation service in the metallurgical engineering field. To be specific, new opportunities have been provided by the layout adjustment of the iron and steel industry, of which the product structure and the flow structure are in need of reformation and upgrading, and the whole industry has relatively strong market demands for green development, intellectual development and top-level operation service. These opportunities provide a broad development platform for the Company in traditional core business.

In respect of the market of non-metallurgical engineering, as the State has strengthened the supply-side structural reform and effectively implemented national strategies and schemes including “the Belt and Road”, the coordinated development of the Beijing, Tianjin, and Hebei Region (京津冀協同) and the construction of the Yangtze River Economic Belt, the construction of infrastructure and urbanization in China has further sped up. On 1 April 2017, the CPC Central Committee and the State Council decided to establish the Xiong’an New Area at the national level, which is a new area with national significance followed by the launch of the Shenzhen Special Economic Zone and the Shanghai Pudong New Area. In the future, the Xiong’an New Area will be developed primarily on such aspects as public rental housing, low-rent housing, eco-friendly buildings, transport and municipal infrastructure and environmental engineering, with a view to vigorously creating a new green and intelligent industry city which is innovation-driven and eco-friendly and livable, and with a focus on developing high-end and high-tech industries. The construction of the “Guangdong-Hong Kong-Macau” Great Bay Area, which is the significant pivot and core carrier of the Maritime Silk Road, has also been accelerated. The objective for the construction of the Great Bay Area is to become the world’s important driving force of economic growth, the center for the innovation of international

science and technology industry, the world-famous high-quality life circle and the most dynamic economic zone in the world, with a view to vigorously creating a world-class agglomeration of cities and “economic community”. On 24 May 2017, Premier Li Keqiang presided over the executive meeting of the State Council, at which it was decided to implement a project for transformation of shanty towns from 2018 to 2020 to transform another 15 million shanty towns of any types. Meanwhile, there will be additional urban roads of 104,000 kilometers (“km”), urban rainwater pipeline of 112,400 km and large-scale rainwater pipeline corridor/box culvert of 9,900 km in China by 2020. In the next three years, there will be a total of 103 rail transit projects with planned mileage of newly-constructed urban rail transit reaching 2,385 km in the PRC, and the amount of investment will be up to RMB1.6 trillion. In particular, the investment of all of Chongqing, Shenzhen, Chengdu, Guiyang, Changsha and other cities in rail transit will be over RMB100 billion in the next few years. In addition, there will be an astonishing increase in the airport construction. It was proposed in the Layout Plan for General Airports (《通用機場佈局規劃》), prepared by the Civil Aviation Administration of China, that the total number of general airports will be over 2,000 by 2030. Plans for general airports have been proposed or even issued at the level of first-tier provinces and cities, including Zhejiang, Jiangsu, Fujian, Jiangxi and Chongqing. In addition to the existing airports, 1,600 general airports are expected to be constructed in the PRC in the next 15 years.

According to the data of the National Bureau of Statistics, the investment in infrastructure (excluding production and supply of electricity, heat, gas and water) amounted to RMB5,942.2 billion in the first half of 2017, representing a year-on-year increase of 21.1%. In particular, the investments in water resources management, public facilities management, road transportation and railway transportation industries grew by 17.5%, 25.4%, 23.2% and 1.9% respectively. In the first half of 2017, the areas of housing under construction by property development enterprises were 6,923.26 million square meters (“sq.m.”), representing a year-on-year increase of 3.4%. In particular, the areas of new construction of housing were 613.99 million sq.m., representing a year-on-year increase of 14.9%.

② Overseas Market

In the first half of 2017, the recovery trend of global economy has continued, while demand for major economies has rebounded and market expectations have been improved. In respect of the overseas market of metallurgical engineering, the global demands for steel and iron increased by 0.2% in 2016 after shrinking by 3.0% in 2015, amounting to 1.501 billion tonnes. The World Steel Association predicted that the global demands for steel and iron in 2017 will increase by 0.5% to 1.510 billion tonnes.

Although the global steel and iron market is still facing certain downside risks, such as the geopolitical instability in certain regions in Europe, the fluctuation of international capital flows and the slowing down of the economic growth in the PRC, the impact of these risks has begun to diminish. In the meantime, certain encouraging developmental trends have emerged, with increasing positive news from developed economies, particularly the growing momentum for economic recovery in the euro zones.

Major countries along “the Belt and Road” route have a relatively small scale of steel and iron production with universally underdeveloped infrastructures, and therefore, forging ahead “the Belt and Road” strategy will inevitably promote the infrastructure construction of railway, highway and oil and gas pipelines, thereby bringing about new demands for steel and iron; under the guidance of “the Belt and Road” strategy, promoting the cooperation with countries and regions along “the Belt and Road” route in international production capacity and equipment manufacture to strive for the maximum market share is a superb strategic opportunity. Increasing the investment in other civil facility construction will also promote the development of the steel and iron industry of neighboring countries. According to the prediction by experts, “the Belt and Road” strategy will drive the steel and iron industry to rebound, returning to the interval of rational development in the next three years.

In respect of the overseas market of housing construction, transport and municipal infrastructure, countries along “the Belt and Road” route have distinct national conditions and uneven development levels. Influenced by various factors, the integrated development level of regional economy is relatively low in these countries, and the common phenomenon of inadequate infrastructure has increasingly become a major factor constraining economic and social development of these countries. Currently, countries along “the Belt and Road” route consider driving infrastructure development as a key focus on promoting regional economic cooperation and start to seek for extensive international support. There are huge demands for infrastructure construction in these countries, and their room for urbanization will be greater in the future.

Not only can the establishment of AIIB, Silk Road Fund, CAD Fund, China-Latin America Cooperation Fund and CAF accelerate the infrastructure construction in member countries, but it can also increase the fundamental investment demands of neighboring countries and countries along “the Belt and Road” route. The “Ten Major Cooperation Projects” of the PRC and Africa will provide a driving force and support to the process of industrialization, modernization and urbanization widely sought by African countries. Highly compatible developmental strategies and increasing common demands and interests between the PRC and African countries have brought new development opportunities for Sino-African cooperation. It is expected that the construction projects of airports, ports, highways, high-speed rails, residential buildings, wastewater treatment, industrial parks, new energy resources and cultural theme parks will commence in a large scale. We are of the view that a desirable prospect of international engineering contracting industry will be seen during the next 5 to 10 years, given that we are currently under a macro environment where many countries strive for development of infrastructure construction and international production capacity cooperation, and where Chinese enterprises accelerated foreign investments.

According to the estimates of Asian Development Bank, the annual investment demands for infrastructure in Asian countries will reach USD730 billion (equivalent to RMB4,500 billion) by 2020, and Orient Securities predicts that the investment demands for infrastructure in Asia-Pacific region within the next 10 years will be up to USD8,000 billion and the room for potential development will be tremendous.

(2) *The Operating Results of the Business*

As a national innovative enterprise with a strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies”, the Company has actively carried out transformation and upgrade based on excellent scientific research, investigation, design and building capacity, thus making outstanding achievements in the engineering contracting segment. During the Reporting Period, the new construction contracts of the Company amounted to RMB274.584 billion, representing a year-on-year increase of 22.1%, further creating a record high. In particular, newly signed metallurgical engineering contracts amounted to RMB40.738 billion and newly signed non-metallurgical engineering contracts amounted to RMB233.846 billion. Non-metallurgical engineering contracts accounted for 85.16% of the new contracts for the Reporting Period, and non-metallurgical engineering projects contributed to 75.64% of operating revenue of the engineering sector. The project reserve and sustainability of the Company showed a steady increase.

The overall operating results of the engineering contracting business in the first half of 2017

Unit: RMB'000

	The first half of 2017	% of the total	The first half of 2016	Year-on-year growth
Segment operating revenue	86,848,396	84.41%	81,666,232	6.35%
Gross margin (%)	<u>10.95</u>	<u>-</u>	<u>10.61</u>	<u>Increased by 0.34 percentage point</u>

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

① Consolidation of the dominant position in the domestic metallurgical engineering market

Being a pioneer and founder of the iron and steel industry in China, the Company adheres to its position of the “national team for metallurgical construction” to propel the implementation of the top-level design plan and strategies by a national team of advisers. The Company pushed forward the integration of internal resources and professional echelon division. It is committed to creating a competent and the strongest lineup of national team for metallurgical construction, continuously increasing the competitiveness and influence of the Company in the international iron and steel engineering technology sector. Being acute to the recovery of the iron and steel market, the Company has established its core technology and control ability in the 8 major units and 19 business units in the traditional metallurgical process with its focus on capacity replacement, relocation projects for urban steel plants and metallurgical energy saving and environmental protection technology transformation market, thus largely contracted all the large-scale projects of environmental protection related relocation, energy saving and emission reduction and industrial upgrading, and firmly consolidated its position of the “national team for metallurgical construction”.

During the Reporting Period, the Company continued to leverage on its core technology advantage and integration advantage in the entire industrial chain of steel, iron and metallurgical industry to closely monitor project information and achieved remarkable results. The Fengnan Iron and Steel Project of Hebei Zongheng Group Co., Ltd., which is the biggest domestic metallurgical engineering project under construction, has commenced since the first quarter of this year, and almost all construction of the major units of the project was undertaken by the Company. Our position as the “national team for metallurgical construction” was further consolidated.

② Keeping of the competitive edges in the domestic non-metallurgical engineering market

The Company bears in mind that “markets are the foundation and the ground for enterprise development and are of the first priority for an enterprise to survive, develop, transform and upgrade”. In line with the national strategy, the Company integrated its advantages and resources and by using developed and dynamic regions including “the Belt and Road” region, Beijing-Tianjin-Hebei, the Yangtze River Delta and the Pearl River Delta as the battle field, the Company further optimized the market layout. With research in business models and as a “major force of infrastructure construction” in China, the Company fully utilized the enormous composite force of “three forces in one” comprising the Group, the subsidiaries and the regional branches, further strengthened the design and operation of “macro environment, heavyweight clients and mega projects”, optimized the market layout, strengthened its ability to contract “high-tech, new, multi-functional and large-scale” projects, stepped up its efforts on market development in non-metallurgical sectors such as municipal infrastructure, premium property construction, regional development, highways, rail transit and civil airports, and achieved remarkable results as the main force for fundamental construction of the nation. The Company has made great efforts in “emerging industries” to increase its competitiveness in the emerging markets through resources integration, technology advancements and change in marketing thinking. It has made major breakthroughs in emerging industries such as urban integrated subterranean pipeline corridor, special engineering, sponge city, beautiful countryside and smart city, health care, and water environment management, marking its industry-leading position as the “forerunner of the emerging industries”. It has established its new competitive edges and completed a batch of major projects with significant influence in the industry. During the Reporting Period, 113 non-metallurgical major engineering projects had a new contract amount exceeding RMB500 million.

Currently, PPP model has become the major business model adopted by the government for investment in large-scale infrastructure projects and emerging industry projects. On 26 April 2017, five ministries including the Ministry of Finance of the PRC issued the Notice Regarding Further Standardization of Behaviours of Borrowing and Financing by Local Governments (《關於進一步規範地方政府舉債融資行為的通知》); on 3 June 2017, the Ministry of Finance of the PRC issued the Notice on Suppressing Breach of Laws and Regulations in Financing Activities in the Name of Purchasing Services by Local Governments (《關於堅決制止地方以政府購買服務名義違法違規融資的通知》), regulating the operation of PPP projects by the government. The Company proactively expanded the market under the premise that it strictly controlled project risks. In the first half of 2017, MCC won the bids for 56 new PPP projects, representing a year-on-year increase of 11 projects, and the total investment amount was RMB110 billion, which generally remained flat as compared with the first half of 2016. In terms of industry distribution, the PPP projects mainly included road, industry park and its infrastructure construction, integrated pipeline corridor, shanty town transformation and public housing, public construction and ecological construction projects.

Maintaining an advanced level in the fundamental construction field

In the transport and municipal infrastructure field, the Company is able to provide full industrial chain services such as survey, design, construction, supervision, investment and financing, and operation, which together offers strong capabilities for providing transportation investment and construction operation services, and the Company successfully undertook a series of landmark transportation and municipal construction. Meanwhile, the Company strengthened its efforts in the marketing of key industries such as railroad transportation and airport, and integrated the resources of the Group to establish MCC Rail Transit Co., Ltd. in 2017, which provides a solid foundation for the further expansion of the transportation and municipal market. During the Reporting Period, the Company successfully entered into the contract for Guiyang City Rail Transit Line 2 (Phase II) (PPP Project)(貴陽市軌道交通2號線二期工程) with a total investment of RMB7.9 billion in the construction

and a length of 13 km, marking the entry of MCC into the field of investment and construction of railroad transportation and further expanding the influence of the Company in the transport and municipal infrastructure field.

In the building construction and premium property construction field, as of the end of the Reporting Period, the Company obtained 13 premium class qualifications for property construction. Leveraging the technological innovation in respect of ultra-high-rise buildings, large public venues and municipal large public facilities, and its extensive experience in project management, and through accelerating the enhancement of professional construction capability and market competitiveness and proactively seizing premium projects while expanding high-end markets, the Company strived to create brand value for premium property construction and has successfully undertaken a batch of typical projects with significant influence, which grasped the attention of the market. During the Reporting Period, the Company has entered into contracts for numerous major projects such as the EPC Contract for Integrated Design, Procurement and Construction of The Fifth Xiangya Hospital (湘雅五醫院設計採購施工一體化總承包合同) in Hunan with gross floor area of approximately 340,000 sq.m. and 1,500 beds and Chongqing Centre Phase I with a height of 208 meters (“m”), which brought a rapid and healthy development to the Company’s premium property construction business.

Strengthening of the leading edge in the emerging industries

In the urban integrated subterranean pipeline corridor field, as the earliest constructor of the integrated subterranean pipeline corridor in the PRC, the Company, relying on the research strength of the MCC Technology Research Institute of Pipeline Corridor, seized the critical strategic opportunities brought by the PRC’s promotion of the construction for integrated subterranean pipeline corridor and continuously explored new models for urban integrated pipeline corridor. The Company has become the bearer of national mission, a marketing leader and an explorer of scientific research and development. It puts utmost efforts to build “MCC pipeline corridor” brand with broad influence and powerful control. The Company provides at any time consultation, planning,

survey, design, construction, supervision and operating services, with incomparable professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. In May 2017, the Company successfully held the 2017 Promotion Conference for Application of New Technology in Chinese Urban Integrated Steel Pipeline Corridor in Hengshui, Hebei and released the assembled corrugated steel pipeline corridor, a new product first invented in the PRC, which has greatly enriched the application of new materials in the integrated pipeline corridor, resolved the problem of overcapacity of steel and increased the application of steel structure products in construction and the standard of urban construction. During the Reporting Period, the Company won the new bids for various integrated pipeline corridor projects with great social influence in, among others, Zhengzhou, Kunming and Xiaogan. The Company remained at the leading position in the domestic pipeline corridor market.

In the special engineering field, the Company is currently the only enterprise qualified for theme park design and construction in China and an expert in the field of special engineering, which has established strategic partnerships with DreamWorks, LEGO and 20th Century Fox. The Company establishes solid innovative thinking, digs into the culture deeply and keeps strengthening the capability of independent innovation to turn its technical characteristics to represent theme parks and movie parks and its high value-added cultural industry construction into its advantages in special themed engineering development and enjoys a high reputation in the industry. At present, the Company has completed the construction for a number of themed projects, such as Universal Studios Singapore Sentosa, Guangdong Zhuhai Chimelong Ocean World (廣東珠海長隆海洋世界) as well as the Adventure and Tomorrow Land Project of Shanghai Disney Resort (上海迪士尼度假區探險島和明日世界項目). During the Reporting Period, the Company contracted major construction works such as Water Park on Ocean Flower Island in Hainan, which further established the leading position of the Company in the special engineering construction industry.

In the sponge city field, the Company has the construction and services capabilities for the entire industry chain of sponge city construction industry to provide thorough and

comprehensive services to clients to fulfil the demand for integrated, systematic and intensive sponge city constructions. Relying on the technological advantages of the MCC Technology Research Institute of Sponge City, the Company concentrates on breaking through the common areas and key technologies in order to prepare a scientific development plan for sponge city and is dedicated to the project development and construction in the sponge city sector. During the Reporting Period, the Company won the bids for the EPC Contract for Black and Odorous Water Treatment and Sponge Project for Downstream Yuxi River in Yunnan Province (PPP Project)(雲南省玉溪大河下游黑臭水體治理及海綿工程EPC總承包合同(PPP項目)), and Two Lakes One River in Pilot Sponge Cities in Guian New District (PPP Project)(貴安新區海綿城市試點兩湖一河PPP項目). Among the above projects, the total investment of the Black and Odorous Water Treatment and Sponge Project for Downstream Yuxi River amounted to RMB3 billion, which was a key construction for the prevention of water pollution in Yuxi City, was extremely meaningful to the environment of Yuxi City and its surrounding areas, and aroused wide awareness within the industry.

In the beautiful countryside and smart city field, the Company has actively implemented the State's development concept of "ecological civilization to build a beautiful China" to combine the constructions of beautiful countryside and smart city, and seized the preemptive market opportunities by leveraging on the capabilities of the MCC Technology Research Institute of Beautiful Countryside and Smart City on technological research and development. During the Reporting Period, the Company contracted new EPC Contracting Projects for Construction of the Cloud Data Centre in Zhongwei, Ningxia and Construction of Beautiful Town (Village) in Yuhui District, Bengbu (Phase I), the Construction Project for Featured Town in Jiangshui, Xingtai County, the Project of Tianshan Tianchi Culture and Innovation Park, the Construction Project of Beautiful Countryside in Beidaihe New District and EPC projects. It has made new contribution to the harmonious development of human and nature and the advancement in the construction of the "beautiful China" and achieved good social and economic benefits.

In the healthcare field, the Company strengthened the design of top levels and established comprehensive policies and security systems in response to the development trend of the industry and the rigorous demand in the market. Led by the national strategy of “healthy China”, driven by technological innovation and via standardized healthcare industry service with high quality, the Company has become the leader of the healthcare industry with advanced technology and high-end products in the high-end market. The Company fully relied on the technology of Healthcare Industry Technology Research Institute of MCC and devoted itself to the development of full industrial chain of the healthcare industry, including, among others, technological research and project consultation, planning, investment, design, construction and operation, with professional and full-range perspectives, with an aim to provide owners with all-round and comprehensive services of “healthcare, rehabilitation, pension, health-consciousness, fitness, travel and culture”. During the Reporting Period, the Company contracted a batch of new major projects, such as the Project of Xingfuyuan International Healthcare Base in Dandong City, striving to boost the brand influence of “Healthcare +”.

In the water environment management field, by keeping up with national policies and combining with market demand, the Company continued to increase investment in, research and development on and application of water environment technology, while fully relying on the research strength of the MCC Technology Research Institute of Water Environment. With focuses on upgrading and reformation of urban sewage, industrial wastewater (coking, cold rolling and dyeing) treatment, ecological restoration of black and odorous water, research and development of biological agents, development of environment-friendly water treatment agents and development and application of energy-saving and environmental protection equipment, and by combining with urban development, the Company conducted comprehensive planning and implementation on water supply and draining, wastewater treatment, collection and utilization of rainwater and river water environment management, vigorously created a brand with Chinese characteristics for water treatment of “low cost, high standard, high technology and high quality” (“one low and three highs”), and thus becoming the leader in the domestic and overseas water industry. During the Reporting Period, the Company

contracted new major environmental protection projects such as Comprehensive Improvement Project on Flood Control and Environment of the River and Beach Area in Wuqing Dyke (Tieji Road-Wufeng Floodgate) (Wuchang Section), Shenzhen Buji River Basin Comprehensive Treatment Construction Contract (深圳布吉河流域綜合治理工程合同) and EPC Project of Construction of Comprehensive River Environmental Improvement in Desheng of Hanshan County. Among the above projects, Shenzhen Buji River Basin Comprehensive Treatment Construction is the first project that adopted “EPC+O” water control model in Shenzhen, which is important to the improvement in the quality of water environment of the coastal areas in Shenzhen and the enhancement of the quality of urban environment. The Company further enhanced its brand influence in the environmental engineering and alternative energy field.

These major non-metallurgical projects have driven the rapid development of the Company in the infrastructure and emerging industry sectors, optimized the Company’s product line-up, enhanced the brand influence and the ability to resist market risks, and further consolidated the industry position of the Company as the “main force for fundamental construction and the forerunner of the emerging industries”.

③ Multiple Breakthroughs in Overseas Construction Market

- Overseas layout

Currently, the projects of the Company involve 24 countries along “the Belt and Road” route, which focus on the layout and development of 17 countries with undeveloped facilities but favorable market demand and promising future in the iron and steel industry and international production cooperation, including Pakistan, India, Mongolia, Russia, Kazakhstan, Vietnam, Myanmar, Cambodia, Indonesia, Malaysia, Singapore, Sri Lanka, Kuwait, Saudi Arabia, UAE, Iran and Turkey.

In general, the overseas markets of the Company are highly concentrated in developing countries like Southeast Asia, South Asia, Central Asia, etc., with lesser market share in developed areas in Europe and the U.S.

As of the end of the Reporting Period, the Company operated a total of 149 overseas institutions across 53 countries and regions worldwide.

- Development of overseas market

During the Reporting Period, newly-signed overseas engineering contracts of the Company amounted to RMB22.102 billion, accounting for an increase of 25.81% compared to the amount of RMB17.568 billion for the corresponding period of last year. Among the newly signed overseas engineering contracts, contracts for metallurgy projects accounted for 12.46% and contracts for non-metallurgy projects accounted for 87.54%.

During the Reporting Period, the Company signed the following featured overseas projects:

- 1) There were major overseas projects signed with a value of USD200 million or above, including the Kuwait Healthcare Hospital Project (科威特醫保醫院項目) with a contractual amount of USD530 million; the Residential Construction of Emerald City Project (Phase I) in Papua New Guinea (巴布亞新幾內亞翡翠城項目(一期)住宅工程) with a contractual amount of USD350 million; the ACG Our City Project in Vietnam with a contractual amount of USD230 million.
- 2) The Hoa Phat Steel Plant Project in Vietnam was another project of an integrated steel plant followed by Ha Tinh Steel Plant in Vietnam and Kuantan Steel Plant in Malaysia. The Company successfully obtained the steel refining, sintering and power generation tender among the intense competition with numerous international and domestic bidders, demonstrating its comprehensive strength as the national team for metallurgical construction.
- 3) The Company won the bid for a highway project in South America for the first time, namely a highway project of Bolivian Highway Authority, with a length of 208 km and for a contractual amount of USD200 million, making a good start for the Company to expand the infrastructure market in South America in the future.

- 4) The Company won the bid for an overseas waste incineration power generation general contracting project for the first time, namely a project of waste incineration power generation in Lahore City, Punjab, Pakistan. The project was designed to handle 2,000 tonnes household waste per day with an installed capacity of power generation of 40MW. The investment of the project was expected to be approximately USD200 million.
- 5) The Company won the bid for an overseas iron and steel supervisory project for the first time, namely the iron and steel supervisory project in Bolivia, with a contractual amount of USD22.50 million, demonstrating its high-end capacity as the national team for metallurgical construction.
- 6) The Company won the bid for an overseas project of skyscrapers with over 300 m for the first time, namely the General Contracting Project of a Business Complex consisting of 8 CONLAY Kempinski Hotel and Serviced Apartments in Kuala Lumpur, Malaysia that was developed by KSK Group of Malaysia. The Project was located in Bukit Bintang Avenue, Kuala Lumpur City Centre, close to Pavilion Kuala Lumpur, and was in the core area of Petronas Twin Towers, and the area of the project was 4 acres. The construction included a 61-storey block of service apartments with 277 m high, a 56-storey block of service apartments with 260 m high and a 72-storey 5-star hotel and condominium with 308 m high and a 4-storey shopping mall, with a total gross floor area of 310,000 sq.m., and the construction period of the contract was 48 months. Upon completion of the project, it would break a new record of building height for the Company to undertake overseas building projects in the form of the general construction contracting, and the project would become a new landmark of Malaysia.

- Overseas projects

During the Reporting Period, there were a total of 393 overseas projects of the Company under construction, and the contractual amount was USD18.880 billion. Among the 393 overseas projects under construction, there were a total of 40 overseas major engineering projects (with a contractual amount of more than USD100 million), and the contractual amount was USD13.829 billion, accounting for 73.25% of the contractual amount of the projects under construction.

On 29 May 2017, No.1 blast furnace at Formosa Ha Tinh Steel Plant in Vietnam was successfully ignited, marking the successful operation of the first overseas super-large blast furnace project undertaken by the Company as a general contractor. The successful operation of the project laid a solid foundation for the Company to undertake overseas large-scale green field iron and steel projects.

2. *Property Development Business*

(1) Industry Overview

In recent years, there have been changes in the domestic economic condition. The economic development entered a new normal era with steady growth. Meanwhile, the property industry encountered new problems of decreasing growth rate and growing inventory, entering a new stage of adjustment and development. However, under the background of economic transformation, the property industry will still play a key role in bolstering investment and facilitating the financial income and value-added service locally.

In the first half of the year, the cumulative sales area of commercial housing in China demonstrated a year-on-year increase of 16.1%, while the growth rate decreased by 6.4 percentage points and 11.8 percentage points as compared to that of the previous year and of the corresponding period of the previous year, respectively; the cumulative sales amount of commercial housing demonstrated a year-on-year increase of 21.5%, while the growth rate decreased by 13.3 percentage points as compared to that of the previous year and was almost halved as compared to that of the corresponding period of the previous year.

Since the Central Government specified that “houses are for people to live in, but not for speculation”, and aimed to control the property bubble and be cautious of the financial risks, the regulations on the real estate market nationwide have been escalating. In the first half of the year, a total of 50 cities nationwide successively implemented the regulatory policy that centered on restricting purchase and loans. However, the sales performance in the real estate market was not negative, and was even better than the expectations at the beginning of the year.

Currently, the pressure of inventory in the property market is relatively high, while the inventory condition is relatively complicated. Not only does there exist the problem of overcapacity in terms of scale and total volume throughout the country, but there also exists the problem of structural imbalance in cities of different levels. Meanwhile, the inventories between various property products (residential, commercial, industrial) have relatively large difference.

In respect of cities at all levels, differentiation is apparent in the PRC property market, with relatively large difference of inventories among different types of cities. First-tier cities and key second-tier cities do not experience high pressure in inventory. The consumption cycle for residential inventory of available-for-sale commodities is generally within 12 months, which is at a reasonable range. The supply in most of the third-tier and fourth-tier cities significantly outstripped what used to be in the past but with the subsequent fatigue problem in consumption, resulting in a high volume of inventory. The consumption cycle for inventory of available-for-sale commodities is generally more than 20 months.

Among third-tier and fourth-tier cities, approximately 80% of them are under an inventory consumption pressure. Inventories in a few cities remain at a reasonable range. Taking Zhenjiang as an example, the current salable area is 3.40 million sq.m., with the consumption cycle for residential inventory of available-for-sale commodities up to 24 months. In relation to land consumption period, the average consumption period of lands for third-tier and fourth-tier cities is 5 years. In particular, the consumption period of Weifang, Ordos and Dongying is more than 6 years.

In view of the above, the third-tier and fourth-tier cities are the “hardest hit areas” with high inventory of properties in China. Most of them suffer from the problem of high volume of inventory. With regard to those cities, destocking will be an important task for the development of the property industry in the coming years.

(2) *The Operating Results of the Business*

The property development business, as one of the primary businesses of MCC, generally has stable income and profits in recent years. The Company does not seek to expand the business scale blindly. Instead, it pursues the improvement in product quality and brand building. As of the end of June 2017, MCC operated a total of 22 secondary subsidiaries engaging in the property development business with business type switching from multi-drivers of commercial housing, affordable housing and primary land development to commercial housing as the core business.

Quality of products was constantly enhanced with gradual improvement on brand impact. As the leader and flagship of the property industry business, MCC Real Estate Group Co., Ltd. (“MCC Real Estate”) has kept track of steady development.

During the Reporting Period, the amount invested in property development of the Company was RMB8.297 billion, representing a year-on-year increase of 25.23%, with construction area of 9.7662 million sq.m., representing a year-on-year decrease of 1.68%; among which, new construction area accounted for 0.8572 million sq.m., representing a year-on-year decrease of 4.31%; completed area accounted for 0.5258 million sq.m., representing a year-on-year decrease of 62.65%; contract sales area accounted for 0.7349 million sq.m. with contract sales amount of RMB10.218 billion.

The overall operating results of the property development business in the first half of 2017

Unit: RMB'000

	First half of 2017	% of the total	First half of 2016	Year-on-year growth
Segment operating revenue	10,144,056	9.86%	9,695,383	4.63%
Gross margin (%)	<u>24.53</u>	<u>-</u>	<u>33.93</u>	<u>Decreased by 9.40 percentage points</u>

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

The progress of the Company's major property development projects is as follows:

- ① On 19 September 2010, Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. (the "Project Company"), which is owned by MCC Real Estate, won the bid of the land use right of Land Nos.1 and 3 at the west of Jiangbian Road, Binjiang, Xiaguan District of Nanjing at a public auction. The consideration of land transfers were RMB12.141 billion and RMB7.893 billion respectively, with the total amount of RMB20.034 billion (for details, please refer to the announcement of the Company dated 20 September 2010).

The Land Nos. 1 and 3 project in Xiaguan District, Nanjing was the Company's major property development project. In order to reasonably control the investment progress and obtain the expected investment returns, the Company confirmed an overall development plan of the Land Nos.1 and 3 after thorough consideration and detailed planning. The Company recovered funds mainly through introducing strategic partners for development, or transferring the equity shares of the Project Company on Land No. 1. The land use of Land No. 3 includes the uses of mixed residential, commercial and financial, cultural and recreational, nursery and kindergarten, mixed business office, etc. Each land has a plot ratio of 1.0 to 13.7 and controlled building height of 24 m to 300 m. Land No. 3 project was divided into two-phase construction, namely General Phase I and General Phase II, of which General Phase I (Project Fangjiaying (方家營項目), Project Binjiang (濱江項目) and Project Hutchison Matheson (和記洋行項目)) already commenced development where Project Fangjiaying and Project Binjiang were under sale and construction, and Project Hutchison Matheson was still under initial planning works. General Phase II is currently under pile foundation construction.

- ② On 17 July 2012, the consortium of MCC Real Estate won the bid of and obtained the land use right of plot A1 under Phase II of the green belt construction and old village reconstruction project at Jiugong Town, Daxing District, Beijing (北京市大興區舊宮鎮綠隔地區建設舊村改造二期 A1地塊) at a public auction for a consideration of RMB2.2 billion in cash, together with an obligation to construct public rental housing of 4,700 sq.m. (for details, please refer to the announcement of the Company dated 18 July 2012). Between the first opening of the project on 18 October 2014 and June 2017, all projects have started selling, with cumulative contract sales area of 99,000 sq.m., and the returns in sales were good.

- ③ On 28 May 2014, MCC Real Estate won a bid for the land use right of a land plot located in Qili of New Badali, Heiniucheng Road in Tianjin at a consideration of RMB4.949 billion (for details, please refer to the announcement of the Company dated 28 May 2014). Currently, the construction and ancillary procedures of the project are being promoted, of which the inspection and acceptance of Qixian Beili (7-09) was completed and completion certificates were obtained on 29 June 2017. The application for the ancillary procedures of Qixian Nanli is in progress, and the main part of land B (7-11) is under construction. The application for the sales permit of building Nos. 1-4 has been completed and land C (7-13) is under renovation and construction. Land D (7-14) is under renovation and construction. The project was opened on 4 July 2015. As of June 2017, all projects had been launched for sale, with cumulative contract sales area of 157,500 sq.m. The returns in sales were good.
- ④ On 19 July 2013, MCC Real Estate Singapore Ltd. won the bid for the land development right with a term of 99 years of a land parcel at Tampines Avenue 10 (Parcel B) in Singapore (新加坡淡濱尼十道B地段地塊) at a public auction at a consideration of SGD289.7 million (equivalent to approximately RMB1.402 billion) for residential development (for details, please refer to the announcement of the Company dated 1 August 2013). “Tampines Avenue 10 (Parcel B) Apartment Development and Construction Project (淡濱尼十道B地段公寓開發建設項目) is located at Tampines Avenue 10 in eastern Singapore, which is adjacent to Bedok Reservoir Park in Singapore (新加坡勿洛儲水池公園). The project has an area of 17,103 sq.m. with a maximum gross floor area of 52,676 sq.m. The project commenced construction in January 2014, by the end of June 2017, the aggregated completed sales area amounted to 18,894 sq.m.
- ⑤ On 20 August 2014, MCC Real Estate Singapore Ltd. won the bid for a land parcel for the construction of private apartments in Potong Pasir in Singapore at a public auction at a consideration of SGD471.6 million (equivalent to approximately RMB2.358 billion) (for details, please refer to the announcement of the Company dated 21 August 2014). The project is located at Potong Pasir in central Singapore, which is within 5 km far from the city centre, with an area of 16,149 sq.m. and planned gross floor area of 62,175 sq.m. It is a comprehensive project for both residential and commercial purposes and the first project of MCC Real Estate Singapore

Ltd. in the high-end real estate business. 75% of the units of the project (Phase I) were sold out on the first date of launch on 28 November 2015 and the residential units were all sold out as of the date hereof. The project has maintained a satisfactory sales return after the launch of Phase II on 12 March 2017. By the end of June 2017, the aggregate completed sales area of the project amounted to 46,688 sq.m.

- ⑥ On 4 May 2015, MCC Real Estate Singapore Ltd. won the bid for a land parcel at Tampines Avenue 10 (Parcel D) in Singapore (新加坡淡濱尼十道D地段地塊) at a public auction at a consideration of SGD227.78 million (equivalent to approximately RMB1.041 billion). The project is erected on a land parcel owned by the Singapore government, for the construction of residential apartments, in eastern Singapore, which is adjacent to Bedok Reservoir (勿洛蓄水池) with an area of approximately 15,660 sq.m., plot ratio of 2.8, gross floor area of approximately 43,850 sq.m. and building height restriction of 64 m. The project consists of 626 units in 9 buildings, which is expected to be occupied from June 2020. The project was launched on 2 October 2016 and there were 274 units contracted on site on the same date, accounting for 43.77% to the total number of units for sale. By the end of June 2017, the aggregate completed sales area of the project amounted to 31,632 sq.m.

3. *Equipment Manufacture Business*

(1) *Industry Overview*

Given the slowdown in the growth of global economy, the over-capacity of domestic steel and iron market, the substantial divestment in the iron and steel industry and other related factors, the domestic metallurgical equipment manufacture industry recorded a weakened growth and was experiencing intensified market competition, and traditional manufacturers in domestic metallurgical equipment market were exposed to higher operational risks. Enterprises were still facing soaring operating costs, significant pressure on turnover of capital and less effective sales channels. To promote transformation and upgrade in the metallurgical equipment manufacture industry, the government subsequently rolled out “Made in China 2025” (《中國製造2025》) and “the Belt and Road” strategy, which propel cooperation in global capacity and equipment manufacture and facilitate improved quality, better returns and industrial upgrading. Looking forward, with the support of national policies and market demand,

the traditional equipment manufacture industry in China will usher in significant opportunities for development.

In terms of steel structure business, the business market mainly makes up of metallurgy, electricity, road and bridge, marine engineering, housing construction, coliseums, transportation hubs and other segments. As the steel structure is eco-friendly, environment-friendly, low-carbon and able to reduce the over-capacity of steel and iron and possesses various other advantages, the government promulgated the “Circular on Promoting Prefabricated Construction” (《關於大力發展裝配式建築的指導意見》), “Thirteenth Five-Year Plan for the Construction Industry” (“建築業十三五規劃”) and other relevant policy documents successively with an aim to speed up the development of the technology of prefabrication and strengthen the promotion and application of construction steelworks. With the strong support of national top-level design and favorable policies, the steel structure industry in China will enjoy an immense space for development.

(2) *The Operating Results of the Business*

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

The overall operating results of the equipment manufacture business in the first half of 2017

Unit: RMB’000

	First half of 2017	% of the total	First half of 2016	Year-on-year growth
Segment operating revenue	2,530,369	2.46%	3,057,360	-17.24%
Gross margin (%)	11.08	-	13.10	Decreased by 2.02 percentage points

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

Being affected by the over-capacity in the domestic iron and steel industry and the continuous decrease in demand in the metallurgical equipment market, the demand for metallurgical products decreased and there was extremely fierce competition in the market. Meanwhile, the intensified competition in the industry led to the further decrease in the price of products, and the drop in the productivity and sales volume of metallurgical equipment integration and spare parts had resulted in the decrease in the total operating revenue of the equipment manufacture segment of the Company. Since then, the Company has been gradually divesting from underperforming low-tech businesses with uncertain prospect and low profitability for its equipment manufacture segment and speeding up its process in the reorganization of the existing equipment manufacture drivers, providing support to the core technology of relevant businesses which would likely have a more favorable prospect.

Regarding steel structure business, the Company will further reinforce control measures, continue to better allocate its steel structure business and assets and make all efforts in developing its capacity advantage of steel structure manufacturing. For business cooperation, the Company will insist on the adoption of the model of “dual drivers of manufacturing and R&D” for the establishment of the “core R&D platform” and “core design platform” of the steel structure business of the Company with a target to develop cutting-edged technology for high-end steel structure business and take the first move on every opportunity arising in the high-end markets. Regarding business layout, the Company has been making breakthroughs in regional integration by kicking off pilot integration programs for regional resources of steel structures in developed regions and has been reinforcing its strengths within the integrated industry chain covering research and development, design, manufacturing, installation, testing and maintenance of the steel structures of the Company.

4. Resource Development Business

(1) Industry Overview

The market information of primary metal products involved in the resource development business of the Company in the first half of 2017 is as follows:

In 2016, the prices of basic nonferrous metals rebounded after hitting bottom. In the first half of 2017, the prices of copper, nickel, lead and zinc fell after an initial rise, and further demonstrated a notable rebound after the United States Federal Reserve announced on 14 June 2017 to raise interest rates for the second time in this year. As of 30 June 2017, the price changes of copper, nickel, lead and zinc on LME were 6.91%, -8.13%, 14.25% and 8.3% respectively, as compared to those for the beginning of the year. However, the overall price level for the first half of this year was still higher than the corresponding period of last year.

Price changes of certain metals on LME in the first half of 2017

No.	Basic metals	Price at the beginning of the year (USD/tonne)	Price as of 30 June (USD/tonne)	Highest/ Lowest price during the year (USD/tonne)	Fluctuation	Maximum fluctuation
1	Copper	5,574	5,959	6,145/5,466	6.91%	10%/-2%
2	Nickel	10,205	9,375	11,045/8,935	-8.13%	8%/-12%
3	Lead	2,007	2,293	2,442/2,007	14.25%	22%/0%
4	Zinc	2,553	2,765	2,971/2,462	8.30%	16%/-4%

The price of nickel experienced a relatively significant decline in the first half of 2017, which was mainly due to several factors: firstly, the expected resumption of the exploitation of nickel in Philippines; secondly, the resumed exports of laterite nickel ore in Indonesia and the successive commencement of nickel iron projects invested by China-affiliated enterprises in Indonesia, which resulted in the substantial growth of supply of nickel iron; thirdly, successive satisfactory results achieved by nickel manufacturers, such as the Goro Project in New Caledonia operated by Vale and Koniambo Ferronickel Processing Plant of Glencore both achieved record high since operation, and the Ramu Project Papua New Guinea of the Company also reached and exceeded the production target.

The soaring price of cobalt in the first half of 2017 made it outstanding among all metal resources. The main factors for the rising price of cobalt include: firstly, the production volume of cobalt was substantially derived from the Democratic Republic of Congo, of which the volatile political mood aroused great concerns among investors; secondly, given the production and sales volume of new energy vehicles worldwide, the upstream demand of ternary battery for cobalt will increase; thirdly, with rising demand, but a slowdown in supply, the production volume of cobalt-based mines only accounted for 2% of global production volume of cobalt, which indicated a limited supply.

The price of copper remained high and volatile in the first half of 2017, and the price showed an upward trend in general. Several top copper manufacturers worldwide faced strike waves successively, which have exerted significant impact on global copper supply. According to the latest forecast published by The International Copper Study Group (ICSG) in April, the supply of global refined copper reached 23.75 million tonnes, whereas the demand for refined copper amounted to 23.90 million tonnes, and the shortage in global market was 147,000 tonnes in 2017.

After experiencing the drastic increase throughout the year of 2016, the market price of lead-zinc in the first half of 2017 first increased, then decreased and remained high and volatile. With the recovery of price, more investments have been made in global zinc-lead mines and a recovery was seen in the production of lead-zinc concentrates. According to the latest forecast published by The International Lead and Zinc Study Group (ILZSG) in April 2017, in 2017, the production of global mine-produced zinc amounts to approximately 13.70 million tonnes, representing an increase of 9.8% as compared to the corresponding period of last year, while the production of refined zinc amounts to approximately 14.08 million tonnes, representing an increase of 6.5% as compared to the corresponding period of last year, and the increase of production of refined zinc is lower than that of mine-produced zinc by 3 percentage points. The expected demand for refined zinc worldwide in 2017 would be 14.30 million tonnes, and the shortage of that would be 226,000 tonnes, experiencing shortage for two consecutive years whilst reflecting a reduction in the level of shortage compared with that in 2016. Different from zinc, the production of lead in both 2016 and 2017 witnessed an increase, the global production of mine-produced lead in 2017 is approximately 4.92 million tonnes, representing an increase of 3.6% over the previous year, while the production of refined lead is approximately 11.391 million tonnes, representing an increase of 1.4% over the previous year, while the global demand for refined lead is approximately 11.393 million tonnes, achieving a balance between supply and demand.

(2) The Operating Results of the Business

In the first half of 2017, excellent performance was observed in the overall market price of non-ferrous metal both at home and abroad, and as Ramu Nico Project of the Company had reached its production volume and targets, the operating revenue of overseas resource development business of the Company recorded substantial increase for the corresponding period of last year.

The overall operating results of the resource development business in the first half of 2017

Unit: RMB'000

	First half of 2017	% of the total	First half of 2016	Year-on-year growth
Segment operating revenue	2,506,503	2.44%	1,834,972	36.60%
Gross margin (%)	28.60	-	-0.83	Increased by 29.43 percentage points

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

① Ramu Nico Project

In the first half of 2017, the project produced nickel hydroxide, which contained 16,955 tonnes of nickel and 1,623 tonnes of cobalt, in aggregate, and sold nickel hydroxide, which contained 15,861 tonnes of nickel and 1,528 tonnes of cobalt. Among which, the monthly volume of production for May 2017 was 3,068 tonnes, accounting for 114.5% of the designed production capacity. The accumulated operating revenue in the first half of the year amounted to RMB982.49 million, representing an increase of 107.7% for the corresponding period of last year. Total profit accumulated for the year amounted to RMB-182.92 million, representing a decrease in loss of 71.5% as compared with the corresponding period of 2016. The increase in operating revenue and decrease in loss were mainly due to the increase in production and sales, as well as the substantial increase in the price of cobalt.

In order to endeavor to further reduce loss on projects and overcome the situation regarding the low price of nickel currently, the project is implementing technological transformation in accordance with work plans with a stable overproduction rate of 10%. It is expected that the production volume would be further increased at the end of this year.

② Pakistan Saindak Copper-Gold Mine Project

In the first half of 2017, the cumulative production of crude copper and sale of crude copper of the project were 5,935 tonnes and 6,633 tonnes respectively, and the cumulative operating revenue amounted to RMB407.82 million, representing an increase of 44.01% as compared to the corresponding period of last year. The cumulative total profit amounted to RMB84.23 million, representing an increase of 94.09% as compared to the corresponding period of last year.

③ Pakistan Duddar Lead-Zinc Mine Project

In the first half of 2017, the upper system of the project cumulatively produced 2,526 tonnes of lead concentrate ore and 19,311 tonnes of zinc concentrate ore, and cumulatively sold 2,516 tonnes of lead concentrate ore and 18,568 tonnes of zinc concentrate ore. The cumulative revenue generated from sales amounted to RMB140.28 million while total profit amounted to RMB27.15 million.

④ Luoyang Polycrystalline Silicon Project

In the first half of 2017, China Silicon Corporation Ltd. in Luoyang cumulatively produced 8,850 tonnes of polycrystalline silicon, and cumulatively sold 9,103 tonnes of polycrystalline silicon. The cumulative revenue generated from sales amounted to RMB957.67 million, representing a year-on-year decrease of 8.01%; while cumulative profit amounted to RMB184.25 million, representing a year-on-year increase of 168.57%.

(II) Analysis on core competitiveness during the reporting period

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

III. FINANCIAL HIGHLIGHTS

The highlights of the Company's financial position as at 30 June 2017 and the operating results for the six months ended 30 June 2017 are as follows:

(I) Overview

- Newly signed contracts were worth RMB297,779 million, representing a year-on-year increase of RMB53,539 million or 21.92% from RMB244,240 million in the first half of 2016.
- Operating revenue amounted to RMB101,085 million, representing a year-on-year increase of RMB5,260 million or 5.49% from RMB95,825 million in the first half of 2016.
- Operating profit amounted to RMB3,808 million, representing a year-on-year increase of RMB566 million or 17.46% from RMB3,242 million in the first half of 2016.
- Net profit amounted to RMB2,918 million, representing a year-on-year increase of RMB91 million or 3.21% from RMB2,827 million in the first half of 2016.
- Net profit attributable to shareholders of the listed company amounted to RMB2,675 million, representing a year-on-year increase of RMB259 million or 10.71% from RMB2,416 million in the first half of 2016.
- Basic earnings per share amounted to RMB0.11, which was the same as that in the first half of 2016.
- As at 30 June 2017, total assets amounted to RMB402,695 million, representing an increase of RMB25,203 million or 6.68% from RMB377,492 million as at 31 December 2016.
- As at 30 June 2017, total shareholders' equity amounted to RMB91,284 million, representing an increase of RMB8,176 million or 9.84% from RMB83,108 million as at 31 December 2016.

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

(II) Operating revenue from principal business segments

1. *Engineering contracting business*

Operating revenue amounted to RMB86,848 million, representing an increase of RMB5,182 million or 6.35% from RMB81,666 million in the first half of 2016.

2. *Property development business*

Operating revenue amounted to RMB10,144 million, representing an increase of RMB449 million or 4.63% from RMB9,695 million in the first half of 2016.

3. *Equipment manufacture business*

Operating revenue amounted to RMB2,530 million, representing a decrease of RMB527 million or 17.24% from RMB3,057 million in the first half of 2016.

4. *Resource development business*

Operating revenue amounted to RMB2,507 million, representing an increase of RMB672 million or 36.60% from RMB1,835 million in the first half of 2016.

5. *Other businesses*

Operating revenue amounted to RMB865 million, representing a decrease of RMB609 million or 41.33% from RMB1,474 million in the first half of 2016.

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

IV. POSSIBLE RISKS AND MEASURES ADOPTED BY THE COMPANY

(I) Risks associated with macro-economy

The principal businesses engaged by the Company including engineering contracting and property development are closely related to various factors, such as operating condition of the macro-economies of the State, fixed assets investments in the iron and steel industry, development of the construction industry and urbanization process, etc. Currently, the world economy is under deep adjustment. With the expanding impact on economy by complicated and changing situation of international politics, changes in and adjustment to internal and external policies after the new president of the United States came to power and the reverse capital flow due to low interest rate, these factors intensify the uncertainty of economic recovery process. The domestic economy is at the key stage of growth rate alternation, structural adjustment and change in driving forces under the “new normal”, which places a downside pressure to the economy; and there is still a decreasing trend in investments, which will bring uncertainties to the business development of the Company. The Company will manage reasonable expectations, adjust its operating strategies and leverage on its conditions of active development in order to realize stable development.

(II) Risks associated with traditional metallurgical engineering business segment

In recent years, the global iron and steel industry entered into the third stage of deep adjustment. Factors such as macro-control by the State on the overcapacity in metallurgical industry led to changes in the development model of the domestic iron and steel industry, which brought the large-scale and highly intensive construction period to an end and diminished market scale. Meanwhile, with the implementation of the national “Thirteenth Five-Year Plan”, steady promotion of “the Belt and Road” strategy and improvement on areas of intellectual production and green production, new opportunities and new challenges have also been brought to the transformation development of metallurgical enterprises.

During the period of the “Thirteenth Five-Year Plan”, metallurgical engineering will mainly focus on full system upgrade including technological transformation, energy conservation and emission reduction and industry upgrade as well as outward relocation of urban iron and steel enterprises, and certain market demand will be maintained. The Company persistently adheres to the guideline of building up “a national team for metallurgical construction” to propel the implementation of the top-level design plan and strategies by a national team, push forward the integration of internal resources and professional echelon division and create a competent and the strongest lineup of national team for metallurgical construction, in order to continuously increase the competitiveness and influence of the Company in the global iron and steel engineering technology sector by its top-notch core techniques, irreplaceable integration advantage in the entire industrial chain of metallurgical construction and constant ability of reform and innovation. In recent years, the Company has continuously enhanced its efforts on transformation from traditional metallurgical engineering field to fundamental construction area and emerging markets to expand its market share. The amount of newly signed contracts of metallurgical engineering fell below 20% of the total amount of newly signed contracts by the Company, which shows that the Company successfully completed business transformation and effectively defused the risk associated with metallurgical market.

(III) Risks associated with non-metallurgical engineering business segment

Facing with the downward pressure on the economy, the State has successively introduced relevant policies to push forward the supply-side structural reform and continuously increase its investment in municipal infrastructure construction. Meanwhile, PPP projects have gradually become the major business model which the government has adopted for its large-scale infrastructure constructions. As “a main force for fundamental construction and the forerunner of the emerging industries”, the Company opens its mind and advances with time, and devotes its efforts to developing non-metallurgical engineering markets such as premium property construction, highways, transport and municipal infrastructure, integrated subterranean piping systems, sponge city, smart city and beautiful countryside.

Unlike traditional metallurgical field, the competition of non-metallurgical markets is very fierce. The Company has actively responded to the risk of competition in non-metallurgical markets and further adapted to the environmental changes. It has expanded the research and innovation of business models such as PPP model and constantly improved the design and operation of “macro environment, heavyweight clients and mega projects”. It endeavors to build up an entire industrial chain capability for one-stop services, enhance its brand influence, vigorously expand and develop markets and continuously strengthen risk resistance capability by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital, and has achieved remarkable success.

(IV) Risks associated with the property development business segment

With the end of the fast-growing period of the property industry and the beginning of a mature period of relatively stable growth, the Company will encounter common challenges in the industry including clearing inventories, slowdown of overall growth in market scale, intensifying industrial competition, lowering profitability and intensifying diversification of regional home prices. All these factors will affect the operating performance of property development business segment of the Company and the Company will carry out in-depth financial policy study (e.g. interest rate), relevant taxation policies in the property industry and control mechanism of the property industry in different regions, in order to reasonably allocate the type and scale of development projects and improve profitability of the Company.

(V) Risks associated with equipment manufacture business segment

In recent years, the investment scale and range of original customer base of the Company has been reduced due to the slowdown of the global economy, severe overcapacity in the Chinese iron and steel industry, and the significant cut-down in the investment to iron and steel industry, which brings certain challenges to the development of the equipment manufacture business of the Company. Despite all that, technological transformation and the entire production process which focus on traditional metallurgical product upgrade should satisfy the crucial need of the new concept of environmental protection and bring new market opportunities for the metallurgical equipment manufacture business of the Company to provide customers with products and services with high technology and higher added value through making full use of professional advantages of the Company and based on a “professional, refined, special and new” development thinking. Meanwhile, the Company has further strengthened the efforts on macro-control of steel structure business in order to form a collaborative model of production and research, promote integration of regional resources and optimize resource deployment, and continuously expand the equipment manufacture business market of the Company.

(VI) Risks associated with international operations

The operating businesses of the Company in various countries and areas are subject to local factors in respect of politics, laws, society, exchange rate and economy, etc., which may bring certain risks to overseas businesses of the Company and may even lead to the suspension of contracts, failure to fulfill the construction on schedule or occurrence of claims or disputes. These will further affect the revenue and profits of the overseas business of the Company. The Company will conduct in-depth study on policies, regulations and humanistic environment of the places where the projects are based and build a good cooperative relationship with local governments and property owners; accelerate the localization process, consistently insist on assessment and risk examination of contracts on overseas construction projects before tendering and implementing a classified risk management mechanism during the process and optimize the emergency plans for the overseas construction projects in a bid to reduce the international operating risks.

V. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Analysis on major operating business

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

Unit: RMB'000

Item	Amount for the current period	Amount for the same period of the previous year	Change in proportion (%)
Operating revenue	101,085,487	95,824,655	5.49
Operating costs	87,926,235	83,366,785	5.47
Selling expenses	839,359	734,570	14.27
Administrative expenses	4,612,053	4,361,156	5.75
Financial expenses	1,596,597	1,287,940	23.97
Net cash flows from operating activities	-14,199,872	-2,849,369	–
Net cash flows from investing activities	-3,874,876	-1,194,759	–
Net cash flows from financing activities	14,877,788	5,964,191	149.45
Research and development expenses	2,086,833	1,590,464	31.21

Explanation of change in operating revenue: The Company actively responded to the national strategic planning, seizing the opportunities brought by “the Belt and Road” and coordinated development of the Beijing, Tianjin and Hebei Region, carried out various measures at the same time and planned in orderly manner. The Company actively explored market in areas with developed economy, economic potential and economic vitality. The operating revenue for the first half of 2017 had a year-on-year increase of 5.49%.

Explanation of change in operating cost: The operating costs of the Company primarily includes sub-contracting expenses, material expenses, labour costs and machinery usage fees. In the first half of 2017 and in the first half of 2016, the operating costs of the Company were RMB87,926,235 thousand and RMB83,366,785 thousand respectively, representing a year-on-year increase of 5.47%, which was mainly due to the significant increase in the contractual amount of the newly signed contracts of the Company and the increase in the newly commenced projects.

Explanation of change in selling expenses: The Company’s selling expenses mainly include employee compensation costs, transportation expenses, advertising and sale services expenses and travelling expenses. In the first half of 2017 and first half of 2016, the Company’s selling expenses were RMB839,359 thousand and RMB734,570 thousand respectively, representing a year-on-year increase of 14.27%, which was mainly attributed to the increase in relevant cost due to the Company’s active exploration of the market.

Explanation of change in administrative expenses: The Company’s administrative expenses mainly include employee compensation costs, research and development expenses, depreciation expenses and office expenses. In the first half of 2017 and first half of 2016, the Company’s selling expenses were RMB4,612,053 thousand and RMB4,361,156 thousand respectively, representing a year-on-year increase of 5.75%, which was mainly due to the long-term adherence of the Company to pursuing the path for the development of advanced technologies and thus the research and development expenses included in the administrative expenses recorded a relatively significant year-on-year increase.

Explanation of change in financial expenses: The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In the first half of 2017 and first half of 2016, the Company's financial expenses were RMB1,596,597 thousand and RMB1,287,940 thousand respectively, representing a year-on-year increase of 23.97%, which was mainly due to the relatively significant year-on-year increase in foreign exchange losses.

Explanation of change in net cash flows from operating activities: In the first half of 2017 and first half of 2016, net cash flows generated from operating activities of the Company were RMB-14,199,872 thousand and RMB-2,849,369 thousand respectively, representing a year-on-year increase in net outflow of RMB11,350,503 thousand which was mainly due to the year-on-year increase in land transfer payments of first and second-tier cities prepaid by the Company.

Explanation of change in net cash flows from investing activities: In the first half of 2017 and first half of 2016, net cash flows generated from investment activities of the Company were RMB-3,874,876 thousand and RMB-1,194,759 thousand, which was mainly due to the increase in expenses on equity investment and fund investment resulted from the vigorous expansion of the PPP business market by the Company.

Explanation of change in net cash flows from financing activities: In the first half of 2017 and first half of 2016, the Company's net cash flows generated from financing activities amounted to RMB14,877,788 thousand and RMB5,964,191 thousand respectively. The large amount of net inflow from financing activities was mainly due to the Company moderately adjusted the scale and structure of financing based on the production and operating needs.

Explanation of change in research and development expenses: "being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for the development of advanced technologies" is the strategic position of the Company, in order to improve its competitiveness, strengthen the reserves of core technology and formulate industry technical standards, the Company continued to increase the investment in research and development, and thus the research and development expenses had a year-on-year increase of 31.21%.

2. Analysis on revenue and costs

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

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

1) Trend of macro-economy internationally and domestically

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

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

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

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for the first half of 2017.

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

① Impact from changes in the tax revenue policy

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

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

② Impact of the fluctuation in exchange rate and currency policy

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

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

4) Overseas tax revenue policies and their changes

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

5) Changes in major raw materials' prices

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

6) Construction subcontracting expenses

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

7) Operation of subsidiaries and key projects

The Company's Ramu Nico Laterite Mine Project in Papua New Guinea remained lossmaking while the profitability of poly-silicon business continued to strengthen. The final result of the third party's auditor of the Western Australia SINO Iron Ore EPC General Contract Project, the progress of the Project of MCC Real Estate in Xiaguan District of Nanjing, the recovery of payment for contract work from the government and its financing platforms and the recovery of payment from projects of some civilian-run steel and iron enterprises will significantly affect the future financial performance of the Company.

8) Enhancement in the quality of operational management

The quality of operational management will significantly affect the results of the Company. The Company will continue to highlight the theme of reform and focus on core businesses, strive to further improve the corporate governance and operation of internal control in order to

strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. The Company will continue to deepen the design and operation of “macro environment, heavyweight clients and mega projects”, through systematic reform and innovation, as well as scientific decision-making to stimulate the Company’s vitality and creativity, design and operation and achieved a simple, efficient and effective management and control system. Whether these management goals can be effectively implemented or not will also influence, to quite a large extent, the improvement in the operating results of the Company.

9) Uneven distribution of revenue

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

(2) *Explanation on Major Business by Segment*

Engineering contracting business is the traditional core business of the Company which is mainly carried out by way of EPC contract and general financing and construction contracting contract, and is the major source of income and profits of the Company at present. The gross profit margin of the engineering contracting business for the first half of 2017 and first half of 2016 were 10.95% and 10.61% respectively, with a year-on-year increase of 0.34 percentage point. The increase was mainly due to the fact that the Company continued to improve its working effort on improving its quality while enhancing its efficiency and strictly controlled various unreasonable project expenditure.

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

Unit: RMB' 000

Items of revenue	In the first half of 2017		In the first half of 2016		In the first half of 2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	21,156,717	24.36	24,342,464	29.81	35,647,752	41.75
Housing construction engineering	42,046,646	48.41	37,217,254	45.57	34,014,816	39.84
Transportation infrastructure	20,103,977	23.15	9,705,044	11.88	7,399,136	8.67
Other engineering	3,541,056	4.08	10,401,470	12.74	8,315,748	9.74
Total engineering contracting	<u>86,848,396</u>	<u>100.00</u>	<u>81,666,232</u>	<u>100.00</u>	<u>85,377,452</u>	<u>100.00</u>

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

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

Unit: RMB' 000

Item of costs	In the first half of 2017		In the first half of 2016		In the first half of 2015	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	43,912,346	56.78	39,126,201	53.60	41,060,552	54.79
Materials expenses	21,569,632	27.89	18,597,938	25.48	22,563,411	30.11
Labour costs	4,837,489	6.26	3,995,027	5.47	4,110,421	5.48
Machinery usage fees	1,255,193	1.62	1,168,867	1.60	1,405,823	1.88
Others	5,760,678	7.45	10,115,015	13.85	5,806,728	7.74
Total engineering costs	<u>77,335,338</u>	<u>100.00</u>	<u>73,003,048</u>	<u>100.00</u>	<u>74,946,935</u>	<u>100.00</u>

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

(3) *Situation of major customers and major suppliers*

The sales of top five major customers amounted to RMB4,645,921 thousand, accounting for 4.60% of the total sales during the Reporting Period. The top five major customers have no connected relationship with the Company.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Company (%)
Customer 1	1,242,879	1.23
Customer 2	1,236,250	1.22
Customer 3	798,931	0.79
Customer 4	697,705	0.69
Customer 5	670,156	0.67
Total	<u>4,645,921</u>	<u>4.60</u>

The procurement of top five major suppliers amounted to RMB3,270,832 thousand, accounting for 3.44% of the total annual procurement; in particular, the procurement of related persons under the procurement of top five major suppliers amounted to RMB1,703,286 thousand, accounting for 1.94% of total procurement during the Reporting Period. The top five major suppliers are subcontractors for engineering and labour services.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating costs of the Company (%)
Supplier 1	1,703,286	1.94
Supplier 2	549,414	0.62
Supplier 3	366,630	0.42
Supplier 4	332,354	0.38
Supplier 5	319,148	0.36
Total	<u>3,270,832</u>	<u>3.72</u>

(II) Analysis on assets and liabilities

Assets and liabilities

Unit: RMB'000

Items	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to the total assets/ total liabilities (%)	Amount at the end of the previous period	Proportion of the amount at the end of the previous period with respect to the total assets/ total liabilities (%)	Percentage change in the amount at the end of the current period as compared to that at the end of the previous period (%)
Current Assets:	324,266,447	80.52	302,774,536	80.21	7.10
Cash and bank balances	40,433,497	10.04	44,863,390	11.88	-9.87
Accounts receivable	69,407,409	17.24	69,544,642	18.42	-0.20
Prepayments	25,267,901	6.27	13,421,058	3.56	88.27
Other receivables	36,624,636	9.09	31,409,955	8.32	16.60
Inventories	130,743,889	32.47	122,191,095	32.37	7.00
Non-current Assets:	78,428,809	19.48	74,717,068	19.79	4.97
Long-term equity investments	6,730,472	1.67	5,163,485	1.37	30.35
Intangible assets	15,501,745	3.85	14,416,860	3.82	7.53
Total Assets	402,695,256	100.00	377,491,604	100.00	6.68
Current Liabilities:	264,098,828	84.81	256,023,377	86.97	3.15
Short-term borrowings	55,313,105	17.76	49,740,440	16.90	11.20
Accounts payable	113,160,189	36.34	111,999,308	38.05	1.04
Receipts in advance	38,839,687	12.47	33,161,350	11.26	17.12
Non-current Liabilities:	47,312,853	15.19	38,360,524	13.03	23.34
Long-term borrowings	31,166,235	10.01	25,038,820	8.51	24.47
Total Liabilities	311,411,681	100.00	294,383,901	100.00	5.78

Cash and bank balances

As at 30 June 2017 and 31 December 2016, the balances of cash and bank balances of the Company were RMB40,433,497 thousand and RMB44,863,390 thousand respectively, representing a year-on-year decrease of 9.87%, which was mainly attributable to net cash outflow from production and operation activities of the Company in the first half of the year.

Accounts receivable

As at 30 June 2017 and 31 December 2016, the Company's net accounts receivable were RMB69,407,409 thousand and RMB69,544,642 thousand respectively, representing a year-on-year decrease of 0.20%, which was mainly due to the fact that the Company continued to strengthen the efforts on collection of accounts receivable, and achieved certain results.

The Company always has great emphasis on the safety and completeness of accounts receivable and timely collects each of the receivables based on terms and schedules as agreed in each contract of project. Provision for bad debts has been made to receivables with potential risks in collectability pursuant to the accounting policies of the Company, but the efforts put to collect the receivables will not be affected.

Prepayments

As at 30 June 2017 and 31 December 2016, the net prepayments of the Company were RMB25,267,901 thousand and RMB13,421,058 thousand respectively, accounting for 6.27% and 3.56% respectively with respect to total assets, and representing a year-on-year increase of 88.27%, which was mainly due to the increase in land transfer payments of first and second-tier cities prepaid by the Company.

Other receivables

As at 30 June 2017 and 31 December 2016, the net other receivables of the Company were RMB36,624,636 thousand and RMB31,409,955 thousand respectively, accounting for 9.09% and 8.32% respectively with respect to total assets, and representing a year-on-year increase of 16.60%, which was mainly due to the increase in various security deposits paid by the Company for undertaking projects.

Inventories

The inventories of the Company mainly consisted of completed and unsettled engineering and construction works, costs for properties under development, completed properties held for sale, raw materials, work in process and finished goods, etc. The inventory structure of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacture and resource development businesses in which the Company was engaged. As at 30 June 2017 and 31 December 2016, the Company's net inventories were RMB130,743,889 thousand and RMB122,191,095 thousand respectively. The net inventories increased by 7.00%, which was mainly due to the increase in inventories in respect of engineering construction.

Long-term equity investments

As at 30 June 2017 and 31 December 2016, the net long-term equity investments of the Company were RMB6,730,472 thousand and RMB5,163,485 thousand respectively, accounting for 1.67% and 1.37% respectively with respect to total assets, and representing a year-on-year increase of 30.35%, which was mainly due to the Company's vigorous expansion of the equity investment in the business market.

Intangible assets

As at 30 June 2017 and 31 December 2016, the aggregated carrying value of the Company's intangible assets were RMB15,501,745 thousand and RMB14,416,860 thousand respectively, representing a year-on-year increase of 7.53%. The Company's intangible assets mainly included land use rights, the right to use the franchise and patent and proprietary technology, etc.

Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consisted of credit loans and guaranteed loans from commercial banks and other financial organizations. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's short-term borrowings were RMB55,313,105 thousand and RMB49,740,440 thousand respectively, with a year-on-year increase of 11.20%. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's long-term borrowings were RMB31,166,235 thousand and RMB25,038,820 thousand respectively, with a year-on-year increase of 24.47%.

Accounts payable

Accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's accounts payable were RMB113,160,189 thousand and RMB111,999,308 thousand respectively, accounting for 36.34% and 38.05% respectively with respect to total liabilities, and representing a year-on-year increase of 1.04%, which was mainly due to the increase in the subcontracting and engineering costs payable.

Receipts in advance

Receipts in advance mainly included advance receipts under construction contracts, reserves for material costs, cost for settled but incomplete works and payments for pre-sale of apartments. As at 30 June 2017 and 31 December 2016, the carrying amount of the Company's receipts in advance were RMB38,839,687 thousand and RMB33,161,350 thousand respectively, accounting for 12.47% and 11.26% respectively with respect to total liabilities, and representing a year-on-year increase of 17.12%, which was mainly due to the increase in the advance receipts of project fees and payments for pre-sale of apartments.

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

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

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	1,309	366	1,694	435	3,804
Total amount (RMB'000)	<u>3,844,602</u>	<u>2,610,597</u>	<u>7,700,495</u>	<u>640,136</u>	<u>14,795,830</u>
Project location	Domestic		Overseas	Total	
Number of projects (Unit)	3,752		52	3,804	
Total amount (RMB'000)	<u>14,553,614</u>		<u>242,216</u>	<u>14,795,830</u>	

2. *Projects under construction during the Reporting Period*

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	3,320	2,488	3,086	753	9,647
Total amount (RMB'000)	<u>39,002,106</u>	<u>17,751,841</u>	<u>14,215,254</u>	<u>3,721,469</u>	<u>74,690,670</u>

Project location	Domestic	Overseas	Total
Number of projects (Unit)	9,254	393	9,647
Total amount (RMB'000)	<u>69,649,550</u>	<u>5,041,120</u>	<u>74,690,670</u>

3. *Overseas projects during the Reporting Period*

Project location	Number of projects (Unit)	Total amount (RMB'000)
Asia	377	4,487,552
Africa	115	419,239
South America	36	97,176
Europe	32	50,669
Oceania	17	264,583
North America	15	12,939
Total	<u>592</u>	<u>5,332,158</u>

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

4. *Summary of completed and unsettled constructions among the inventory*

Unit: RMB'000

Project	Accumulated costs incurred	Accumulated recognized gross profit	Estimated loss	Accumulated settlements	Balance of completed and unsettled constructions
Amount	<u>754,415,712</u>	<u>58,899,655</u>	<u>1,619,854</u>	<u>741,355,272</u>	<u>70,340,241</u>

(IV) Investment analysis

Overall analysis on external equity investments

As at 30 June 2017 and 31 December 2016, the net long-term equity investments of the Company were RMB6,730,472 thousand and RMB5,163,485 thousand respectively, representing a year-on-year increase of 30.35%, which was mainly due to the Company's vigorous expansion of the equity investments in the business market.

Financial assets measured at fair value

Securities investment

No.	Stock variety	Stock code	Stock abbreviation	Initial Investment Amount (RMB)	Number of shares held (share)	Carrying amount at the end of the period (RMB)	Percentage in securities investment held at the end of the period	Gain or loss incurred in the Reporting Period
							(%)	(RMB)
1	Shares	600787	CMST Development Corp. (中儲股份)	498,768	57,528	910,093	100	-133,465
Total				<u>498,768</u>	<u>/</u>	<u>910,093</u>	<u>100</u>	<u>-133,465</u>

Equity interests in other listed companies held by the Company

Stock code	Stock abbreviation	Initial investment cost <i>(RMB'000)</i>	Percentage of shareholding at the beginning of the period <i>(%)</i>	Percentage of Shareholding at the end of the period <i>(%)</i>	Carrying amount at the end of the period <i>(RMB'000)</i>	Gain or loss incurring in the Reporting Period <i>(RMB'000)</i>	Changes in owners' equity during the Reporting Period <i>(RMB'000)</i>	Account category
601328	Bank of Communications	93,402	0.05	0.05	276,664	–	17,856	Available-for-sale financial assets
000709	Hesteel	10,337	0.79	0.79	11,922	152	2,418	Available-for-sale financial assets
600665	Tande	1,122	0.02	0.02	791	–	-50	Available-for-sale financial assets
600117	Xining Special Steel	1,400	0.20	0.20	7,528	–	-852	Available-for-sale financial assets
600729	Chongqing Department Store	450	0.11	0.11	12,388	–	1,554	Available-for-sale financial assets
000005	Fountain	420	0.04	0.04	1,955	–	-567	Available-for-sale financial assets
000166	Shenwan Hongyuan	2,000	0.02	0.02	11,631	–	-2,033	Available-for-sale financial assets
000939	Kaidi Ecological	2,502	1.10	1.10	104,437	–	-27,338	Available-for-sale financial assets
600642	Shenergy	188	0.01	0.01	283	–	17	Available-for-sale financial assets
Total		<u>111,821</u>	<u>/</u>	<u>/</u>	<u>427,599</u>	<u>152</u>	<u>-8,995</u>	<u>/</u>

Equity interests in unlisted financial companies held by the Company

Name of investee	Initial investment amount (RMB)	Number of shares held (share)	Percentage of shareholding to the company (%)	Carrying amount at the end of the period (RMB)	Gain or loss incurred in the Reporting Period (RMB)	Changes in owners' equity during the Reporting Period (RMB)	Account category	Source of shares
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	–	1.28	30,000,000	–	–	Available-for-sale financial assets	By acquisition
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	–	0.74	27,696,000	–	–	Available-for-sale financial assets	By acquisition
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限公司)	17,097,680	–	2.20	17,097,680	–	–	Available-for-sale financial assets	By acquisition
Wuhan Iron & Steel Group Financial Corporation Limited (武漢鋼鐵集團財務有限責任公司)	2,000,000	–	0.13	2,000,000	–	–	Available-for-sale financial assets	By acquisition
Total	<u>76,793,680</u>	<u>–</u>	<u>–</u>	<u>76,793,680</u>	<u>–</u>	<u>–</u>	<u>/</u>	<u>/</u>

VI. CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS

Consolidated Balance Sheet

For the six months ended 30 June 2017

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	40,433,497	44,863,390
Financial assets at fair value through profit or loss	910	1,044
Bills receivable	15,754,384	16,026,955
Accounts receivable	69,407,409	69,544,642
Prepayments	25,267,901	13,421,058
Interests receivable	21,050	26,666
Dividends receivable	47,337	46,727
Other receivables	36,624,636	31,409,955
Inventories	130,743,889	122,191,095
Non-current assets due within one year	3,636,690	3,745,636
Other current assets	2,328,744	1,497,368
Total Current Assets	324,266,447	302,774,536
Non-current Assets:		
Available-for-sale financial assets	3,068,390	2,665,570
Long-term receivables	12,811,884	11,277,158
Long-term equity investments	6,730,472	5,163,485
Investment properties	2,856,865	2,486,596
Fixed assets	28,911,903	30,037,756
Construction in progress	3,229,772	3,653,172
Materials for construction of fixed assets	66,613	69,074
Intangible assets	15,501,745	14,416,860
Goodwill	165,730	173,058
Long-term prepayments	217,731	249,357
Deferred tax assets	4,502,920	4,358,008
Other non-current assets	364,784	166,974
Total Non-current Assets	78,428,809	74,717,068
TOTAL ASSETS	402,695,256	377,491,604

Consolidated Balance Sheet

For the six months ended 30 June 2017

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	55,313,105	49,740,440
Derivative financial liabilities	6,629	17,443
Bills payable	16,966,056	17,638,291
Accounts payable	113,160,189	111,999,308
Receipts in advance	38,839,687	33,161,350
Employee benefits payable	1,987,856	1,915,566
Taxes payable	1,852,905	3,110,767
Interests payable	616,106	493,527
Dividends payable	1,986,388	827,426
Other payables	19,736,940	18,681,125
Non-current liabilities due within one year	8,896,935	14,440,253
Other current liabilities	4,736,032	3,997,881
Total Current Liabilities	264,098,828	256,023,377
Non-current Liabilities:		
Long-term borrowings	31,166,235	25,038,820
Bonds payable	10,021,397	6,654,000
Long-term payables	910,818	850,280
Long-term employee benefits payable	3,403,556	3,646,673
Special payables	7,959	7,175
Provisions	254,406	568,876
Deferred income	1,338,358	1,382,299
Deferred tax liabilities	210,124	212,401
Total Non-current Liabilities	47,312,853	38,360,524
TOTAL LIABILITIES	311,411,681	294,383,901

Consolidated Balance Sheet*For the six months ended 30 June 2017**All amounts in RMB'000*

Items	Closing balance	Opening balance
Shareholders' Equity:		
Share capital	20,723,619	20,723,619
Other equity instruments	14,584,565	9,884,950
Including: Perpetual bond	14,584,565	9,884,950
Capital reserve	22,417,087	22,438,344
Other comprehensive income	270,203	189,057
Special reserve	12,550	12,550
Surplus reserve	1,100,651	1,100,651
Retained earnings	17,312,824	16,203,904
Total shareholders' equity attributable to shareholders of the Company	76,421,499	70,553,075
Non-controlling interests	14,862,076	12,554,628
TOTAL SHAREHOLDERS' EQUITY	91,283,575	83,107,703
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	402,695,256	377,491,604

The Company's Balance Sheet
For the six months ended 30 June 2017

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Assets:		
Cash and bank balances	2,293,362	7,703,977
Accounts receivable	645,396	823,423
Prepayments	372,833	161,552
Interests receivable	1,769,982	2,000,053
Dividends receivable	1,531,602	2,100,649
Other receivables	25,658,132	26,183,580
Inventories	470,250	299,065
Non-current assets due within one year	1,657,037	1,577,037
Total Current Assets	34,398,594	40,849,336
Non-current Assets:		
Available-for-sale financial assets	231	231
Long-term receivables	3,723,374	2,469,574
Long-term equity investments	83,884,812	79,317,111
Fixed assets	11,645	12,592
Construction in progress	10,003	8,518
Intangible assets	10,290	9,597
Total Non-current Assets	87,640,355	81,817,623
TOTAL ASSETS	122,038,949	122,666,959

The Company's Balance Sheet
For the six months ended 30 June 2017

All amounts in RMB'000

Items	Closing balance	Opening balance
Current Liabilities:		
Short-term borrowings	26,261,680	27,514,934
Accounts payable	891,240	818,728
Receipts in advance	1,154,695	541,402
Employee benefits payable	9,753	8,974
Taxes payable	48,524	46,848
Interests payable	398,560	238,965
Dividends payable	1,449,389	168,633
Other payables	7,084,420	11,430,335
Non-current liabilities due within one year	803,755	853,755
Total Current Liabilities	38,102,016	41,622,574
Non-current Liabilities:		
Long-term borrowings	4,417,808	5,016,690
Bonds payable	2,704,000	2,704,000
Long-term payables	78,980	78,980
Long-term employee benefits payable	16,988	18,061
Deferred income	4,411	4,411
Total Non-current Liabilities	7,222,187	7,822,142
TOTAL LIABILITIES	45,324,203	49,444,716

The Company's Balance Sheet
For the six months ended 30 June 2017

All amounts in RMB'000

Items	Closing balance	Opening balance
Shareholders' Equity:		
Share capital	20,723,619	20,723,619
Other equity instruments	14,584,565	9,884,950
Including: Perpetual bond	14,584,565	9,884,950
Capital reserve	38,041,092	38,041,092
Other comprehensive income	2,197	1,465
Special reserve	12,550	12,550
Surplus reserve	1,100,651	1,100,651
Retained earnings	2,250,072	3,457,916
TOTAL SHAREHOLDERS' EQUITY	76,714,746	73,222,243
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	122,038,949	122,666,959

VII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

Consolidated Income Statement

For the six months ended 30 June 2017

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Total operating revenue	101,085,487	95,824,655
Including: Operating revenue	<u>101,085,487</u>	<u>95,824,655</u>
II. Total operating costs	97,299,341	92,901,625
Including: Operating costs	87,926,235	83,366,785
Taxes and levies	963,708	1,728,019
Selling expenses	839,359	734,570
Administrative expenses	4,612,053	4,361,156
Financial expenses	1,596,597	1,287,940
Impairment losses of assets	1,361,389	1,423,155
Add: Gains from changes in fair values	10,680	6,349
Investment income	11,298	312,688
Including: Gains (Losses) from investments in associates and joint ventures	<u>(70,135)</u>	<u>256,191</u>
III. Operating profit	3,808,124	3,242,067
Add: Non-operating income	252,252	387,938
Including: Gains from disposal of non- current assets	43,698	54,806
Less: Non-operating expenses	86,164	53,604
Including: Losses from disposal of non- current assets	<u>7,687</u>	<u>10,680</u>
IV. Total profit	3,974,212	3,576,401
Less: Income tax expenses	<u>1,056,357</u>	<u>749,237</u>
V. Net profit	2,917,855	2,827,164
Net profit attributable to shareholders of the Company	2,674,676	2,415,926
Profit or loss attributable to non-controlling interests	<u>243,179</u>	<u>411,238</u>

Consolidated Income Statement

For the six months ended 30 June 2017

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
VI. Other comprehensive income, net of income tax	63,413	(64,868)
Other comprehensive income attributable to shareholders of the Company, net of income tax	81,146	(79,584)
(I) Items that will not be reclassified subsequently to profit or loss	141,156	1,554
1. Re-measurement of defined benefit obligations	141,156	1,554
(II) Items that may be reclassified subsequently to profit or loss	(60,010)	(81,138)
1. Net (loss) gain on revaluation of available-for-sale financial assets	(7,010)	(78,646)
2. Exchange differences on translating foreign operations	(52,896)	(2,492)
3. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method	(104)	–
Other comprehensive income attributable to non-controlling interests, net of income tax	(17,733)	14,716
VII. Total comprehensive income	2,981,268	2,762,296
Total comprehensive income attributable to shareholders of the Company	2,755,822	2,336,342
Total comprehensive income attributable to non-controlling interests	225,446	425,954
VIII. Earnings per share		
(I) Basic earnings per share (<i>RMB/share</i>)	0.11	0.11
(II) Diluted earnings per share (<i>RMB/share</i>)	N/A	N/A

The Company's Income Statement
For the six months ended 30 June 2017

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Operating revenue	1,713,403	699,262
Less: Operating costs	1,587,102	664,773
Taxes and levies	4,950	(906)
Administrative expenses	76,251	62,770
Financial expenses	208,589	204,959
Impairment losses of assets	(23,370)	59,672
Add: Investment income	500,800	780,062
Including: Gain(Losses) from investments in associates and joint ventures	800	(3,380)
II. Operating profit	360,681	488,056
Add: Non-operating income	1,445	380
Including: Gains from disposal of non- current assets	–	3
Less: Non-operating expenses	518	13
Including: Losses from disposal of non- current assets	–	13
III. Total profit	361,608	488,423
Less: Income tax expenses	3,696	–
IV. Net profit	357,912	488,423
V. Other comprehensive income, net of income tax	732	(16)
(I) Items that will not be reclassified subsequently to profit or loss	732	(16)
1. Re-measurement of defined benefit obligations	732	(16)
VI. Total comprehensive income	358,644	488,407

VIII. CONSOLIDATED AND THE COMPANY'S CASH FLOW STATEMENTS

Consolidated Cash Flow Statement

For the six months ended 30 June 2017

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:		
Cash receipts from goods sold and services provided	106,678,318	96,937,030
Receipts of tax refunds	160,017	265,826
Other cash receipts relating to operating activities	1,296,491	1,605,988
Sub-total of cash inflows from operating activities	<u>108,134,826</u>	<u>98,808,844</u>
Cash payments for goods purchased and services received	100,079,993	82,204,191
Cash payments to and on behalf of employees	7,987,873	7,766,526
Payments of various types of taxes	6,166,450	6,678,214
Other cash payments relating to operating activities	8,100,382	5,009,282
Sub-total of cash outflows from operating activities	<u>122,334,698</u>	<u>101,658,213</u>
Net Cash Flows from Operating Activities	<u>(14,199,872)</u>	<u>(2,849,369)</u>
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	–	1,472,609
Cash receipts from investment income	28,127	99,959
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	106,002	121,627
Other cash receipts relating to investing activities	148,870	117,738
Sub-total of cash inflows from investing activities	<u>282,999</u>	<u>1,811,933</u>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	1,850,874	1,354,545
Cash payments to acquire investments	2,216,045	988,388
Other cash payments relating to investing activities	90,956	663,759
Sub-total of cash outflows from investing activities	<u>4,157,875</u>	<u>3,006,692</u>
Net Cash Flows from Investing Activities	<u>(3,874,876)</u>	<u>(1,194,759)</u>

Consolidated Cash Flow Statement
For the six months ended 30 June 2017

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:		
Cash receipts from capital contributions	6,866,147	25,043
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries	2,166,532	25,043
Cash receipts from issuing perpetual bonds	4,699,615	–
Cash receipts from borrowings	49,078,747	48,771,932
Other cash receipts relating to financing activities	1,138,273	1,204,680
Sub-total of cash inflows from financing activities	57,083,167	50,001,655
 Cash repayments of borrowings	39,135,209	39,928,279
Cash payments for distribution of dividends or profits or settlement of interest expenses	2,911,939	4,027,830
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries	119,491	335,191
Other cash payments relating to financing activities	158,231	81,355
Sub-total of cash outflows from financing activities	42,205,379	44,037,464
 Net Cash Flows from Financing Activities	14,877,788	5,964,191
 IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(94,660)	71,348
 V. Net (decrease) increase in Cash and Cash Equivalents	(3,291,620)	1,991,411
Add: Opening balance of Cash and Cash equivalents	38,711,911	28,736,378
 VI. Closing Balance of Cash and Cash Equivalents	35,420,291	30,727,789

The Company's Cash Flow Statement
For the six months ended 30 June 2017

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities		
Cash receipts from goods sold and services provided	2,372,868	1,022,764
Receipts of tax refunds	1,442	8,741
Other cash receipts relating to operating activities	24,263	36,562
Sub-total of cash inflows from operating activities	2,398,573	1,068,067
 Cash payments for goods purchased and services received	 1,747,946	 808,258
Cash payments to and on behalf of employees	48,394	38,773
Payments of various types of taxes	23,583	96,937
Other cash payments relating to operating activities	269,053	69,197
Sub-total of cash outflows from operating activities	2,088,976	1,013,165
 Net Cash Flows from Operating Activities	 309,597	 54,902
 II. Cash Flows from Investing Activities		
Cash receipts from investment income	1,887,277	1,657,332
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	–	3
Other cash receipts relating to investing activities	508,892	5,996,421
Sub-total of cash inflows from investing activities	2,396,169	7,653,756
 Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	 3,518	 3,173
Cash payments to acquire investments	4,566,901	1,402,441
Other cash payments relating to investing activities	1,333,800	–
Sub-total of cash outflows from investing activities	5,904,219	1,405,614
 Net Cash Flows from Investing Activities	 (3,508,050)	 6,248,142

The Company's Cash Flow Statement
For the six months ended 30 June 2017

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities		
Cash receipts from capital contributions	4,699,615	–
Including: Cash receipts from issuing perpetual bonds	4,699,615	–
Cash receipts from borrowings	16,593,781	21,767,844
Other cash receipts relating to financing activities	196	–
Sub-total of cash inflows from financing activities	21,293,592	21,767,844
Cash repayments of borrowings	22,527,626	27,069,786
Cash payments for distribution of dividends or profits or settlement of interest expenses	967,597	2,197,541
Other cash payments relating to financing activities	–	18,115
Sub-total of cash outflows from financing activities	23,495,223	29,285,442
Net Cash Flows from Financing Activities	(2,201,631)	(7,517,598)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(10,335)	(3,436)
V. Net Decrease in Cash and Cash Equivalents	(5,410,419)	(1,217,990)
Add: Opening balance of Cash and Cash equivalents	7,692,102	2,727,147
VI. Closing Balance of Cash and Cash Equivalents	2,281,683	1,509,157

IX. CONSOLIDATED AND THE COMPANY'S STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Consolidated Statement of Changes in Shareholders' Equity

All amounts in RMB '000

FOR THE SIX MONTHS ENDED 30 JUNE 2017									
Attributable to shareholders of the Company									
Items	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	Total shareholders' equity
I. Closing balance of the preceding period	20,723,619	9,884,950	22,438,344	189,057	12,550	1,100,651	16,203,904	12,554,628	83,107,703
Add : Changes in accounting policies	-	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
II. Opening balance of the current period	20,723,619	9,884,950	22,438,344	189,057	12,550	1,100,651	16,203,904	12,554,628	83,107,703
III. Changes for the period	-	4,699,615	(21,257)	81,146	-	-	1,108,920	2,307,448	8,175,872
(I) Total comprehensive income	-	-	-	81,146	-	-	2,674,676	225,446	2,981,268
(II) Shareholders' contributions and reduction in capital	-	4,699,615	(21,257)	-	-	-	-	2,201,493	6,879,851
1. Capital contribution from shareholders	-	-	-	-	-	-	-	2,181,350	2,181,350
2. Capital contribution from holders of other equity instruments	-	4,699,615	-	-	-	-	-	-	4,699,615
3. Others	-	-	(21,257)	-	-	-	-	20,143	(1,114)
(III) Profit distribution	-	-	-	-	-	-	(1,565,756)	(119,491)	(1,685,247)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,565,756)	(119,491)	(1,685,247)
3. Others	-	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	1,020,399	-	-	85,879	1,106,278
2. Amount utilized in the current period	-	-	-	-	(1,020,399)	-	-	(85,879)	(1,106,278)
(VI) Others	-	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	20,723,619	14,584,565	22,417,087	270,203	12,550	1,100,651	17,312,824	14,862,076	91,283,575

Consolidated Statement of Changes in Shareholders' Equity

All amounts in RMB'000

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

The Company's Statement of Changes in Shareholders' Equity

All amounts in RMB'000

FOR THE SIX MONTHS ENDED 30 JUNE 2017								
Items	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Total shareholders' equity
I. Closing balance of the preceding period	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
Add : Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior periods errors	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
II. Opening balance of the current period	20,723,619	9,884,950	38,041,092	1,465	12,550	1,100,651	3,457,916	73,222,243
III. Changes for the period	-	4,699,615	-	732	-	-	(1,207,844)	3,492,503
(I) Total comprehensive income	-	-	-	732	-	-	357,912	358,644
(II) Shareholders' contributions and reduction in capital	-	4,699,615	-	-	-	-	-	4,699,615
1. Capital contribution from shareholders	-	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	4,699,615	-	-	-	-	-	4,699,615
3. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	(1,565,756)	(1,565,756)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. Distributions to shareholders	-	-	-	-	-	-	(1,565,756)	(1,565,756)
3. Others	-	-	-	-	-	-	-	-
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV. Closing balance of the current period	20,723,619	14,584,565	38,041,092	2,197	12,550	1,100,651	2,250,072	76,714,746

The Company's Statement of Changes in Shareholders' Equity

All amounts in RMB'000

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

X. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(I) Basic information of the Company

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

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

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

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

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

During the Reporting Period, the Group did not have material changes on principal business activities.

The Company’s and consolidated financial statements had been approved by the Board of Directors of the Company on 29 August 2017.

(II) Significant accounting policies and accounting estimates

1. Basis of preparation

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

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

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

2. Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company’s balance sheet as at 31 December 2016 and consolidated and the Company’s operating results and cash flows for the year then ended.

3. Accounting period

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

4. Reporting currency

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

(III) Notes to consolidated financial statements

Cash and bank balances

All amounts in RMB'000

Items	Closing balance	Opening balance
Cash	24,038	24,201
RMB	12,905	11,908
USD	2,210	1,727
EUR	131	137
AUD	219	99
HKD	163	172
Others	8,410	10,158
Bank deposits	33,110,259	36,613,768
RMB	26,448,194	30,036,304
USD	4,457,594	5,042,544
EUR	95,944	53,966
AUD	272,269	268,048
HKD	51,684	35,168
Others	1,784,574	1,177,738
Other cash and bank balances	7,299,200	8,225,421
RMB	7,152,189	8,118,234
USD	91,596	57,803
EUR	3,180	4,497
AUD	1,563	3,010
Others	50,672	41,877
Total	40,433,497	44,863,390
Including: Total amount of deposits abroad	2,442,313	2,452,056

Bills receivable

All amounts in RMB'000

Items	Closing balance	Opening balance
Bank acceptance bills	7,390,077	4,775,354
Commercial acceptance bills	8,364,307	11,251,601
Total	15,754,384	16,026,955

Accounts receivable

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

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	45,272,020	44,974,143
1 to 2 years	14,399,806	15,301,715
2 to 3 years	8,785,657	8,954,013
3 to 4 years	5,095,065	5,516,862
4 to 5 years	3,530,632	3,730,131
Over 5 years	4,841,416	3,201,818
Total book value	81,924,596	81,678,682
Less: provisions for bad debts	12,517,187	12,134,040
Carrying amount	69,407,409	69,544,642

(2) *Accounts receivable disclosed by category*

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	6,210,452	7.58	2,680,623	43.16	3,529,829	6,313,520	7.73	2,431,835	38.52	3,881,685
Subject to provision by portfolios with credit risk characteristics	73,795,385	/	8,617,826	/	65,177,559	73,493,850	/	8,413,587	/	65,080,263
Group 1	56,298,553	68.72	8,617,826	15.31	47,680,727	54,723,925	67.00	8,413,587	15.37	46,310,338
Group 2	17,496,832	21.36	-	-	17,496,832	18,769,925	22.98	-	-	18,769,925
Accounts receivable which are individually insignificant but subject to provision individually	1,918,759	2.34	1,218,738	63.52	700,021	1,871,312	2.29	1,288,618	68.86	582,694
Total	<u>81,924,596</u>	<u>/</u>	<u>12,517,187</u>	<u>/</u>	<u>69,407,409</u>	<u>81,678,682</u>	<u>/</u>	<u>12,134,040</u>	<u>/</u>	<u>69,544,642</u>

Prepayments

All amounts in RMB'000

Aging	Closing balance		Opening balance	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	20,069,235	79.43	7,764,242	57.85
1 to 2 years	2,000,811	7.92	2,677,573	19.95
2 to 3 years	1,373,708	5.44	1,268,474	9.45
Over 3 years	1,824,147	7.21	1,710,769	12.75
Total	<u>25,267,901</u>	<u>100.00</u>	<u>13,421,058</u>	<u>100.00</u>

Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	23,787,197	18,996,123
1 to 2 years	8,772,883	8,259,895
2 to 3 years	3,415,316	3,787,880
3 to 4 years	1,685,444	1,627,409
4 to 5 years	1,132,760	741,260
Over 5 years	1,021,307	995,427
Total book value	39,814,907	34,407,994
Less: provisions for bad debts	3,190,271	2,998,039
Carrying amount	36,624,636	31,409,955

(2) Other receivables disclosed by category

All amounts in RMB'000

Category	Closing balance					Opening balance				
	Book value		Provision for bad debts		Carrying amount	Book value		Provision for bad debts		Carrying amount
	Amount	Ratio (%)	Amount	Ratio (%)		Amount	Ratio (%)	Amount	Ratio (%)	
Individually significant and subject to provision individually	3,053,278	7.67	1,042,468	34.14	2,010,810	2,544,423	7.39	993,833	39.06	1,550,590
Subject to provision by portfolios with credit risk characteristics	36,287,733	/	1,762,130	/	34,525,603	31,001,476	/	1,556,909	/	29,444,567
Group1	8,550,448	21.48	1,762,130	20.61	6,788,318	6,303,731	18.32	1,556,909	24.70	4,746,822
Group2	27,737,285	69.67	-	-	27,737,285	24,697,745	71.78	-	-	24,697,745
Other receivables which are individually insignificant but subject to provision individually	473,896	1.18	385,673	81.38	88,223	862,095	2.51	447,297	51.88	414,798
Total	39,814,907	/	3,190,271	/	36,624,636	34,407,994	/	2,998,039	/	31,409,955

(3) *Other receivables categorised by nature*

All amounts in RMB'000

Nature of other receivable	Closing balance	Opening balance
Guarantee deposits	25,870,079	20,950,115
Loan receivables from related parties and third parties	5,666,784	5,575,828
Advance to employees	675,377	605,241
Receivables on disposal of investments	3,489,377	3,496,106
Others	4,113,290	3,780,704
Total	39,814,907	34,407,994

Inventories

(1) *Categories*

All amounts in RMB'000

Items	Closing balance			Opening balance		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	2,341,446	53,376	2,288,070	2,108,675	42,985	2,065,690
Materials procurement	86,465	–	86,465	82,972	–	82,972
Outsourced processing materials	62,966	–	62,966	73,396	–	73,396
Work in progress	2,505,362	2,948	2,502,414	2,330,806	7,689	2,323,117
Finished goods	2,348,572	119,397	2,229,175	2,219,413	130,692	2,088,721
Other materials	431,037	8,451	422,586	433,515	8,440	425,075
Gross amount due from contract customers	71,960,095	1,619,854	70,340,241	63,020,495	1,597,993	61,422,502
Properties under development	42,493,794	188,860	42,304,934	43,817,341	188,860	43,628,481
Completed properties held for sale	10,540,203	33,165	10,507,038	10,150,430	69,289	10,081,141
Total	132,769,940	2,026,051	130,743,889	124,237,043	2,045,948	122,191,095

(2) *Provision for impairment*

All amounts in RMB'000

Items	Opening balance	Increase		Decrease			Closing balance
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	42,985	10,391	–	–	–	–	53,376
Work in progress	7,689	–	–	–	4,741	–	2,948
Finished goods	130,692	47,030	–	7,404	50,921	–	119,397
Other materials	8,440	11	–	–	–	–	8,451
Gross amount due from contract customers	1,597,993	25,266	–	–	3,405	–	1,619,854
Properties under development	188,860	–	–	–	–	–	188,860
Completed properties held for sale	69,289	960	–	–	37,084	–	33,165
Total	<u>2,045,948</u>	<u>83,658</u>	<u>–</u>	<u>7,404</u>	<u>96,151</u>	<u>–</u>	<u>2,026,051</u>

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

All amounts in RMB'000

Items	Closing balance
Contract costs incurred to date	754,415,712
Recognized profits to date	58,899,655
Less: Estimated loss	1,619,854
Accumulated settlements	<u>741,355,272</u>
Gross amount due from contract customers	<u><u>70,340,241</u></u>

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

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

Up to 30 June 2017, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. Based on the assessment of the project costs, the Group is of the view that the previous estimation of project construction costs made at the end of 2012 should not have any significant change. Hence, as at 30 June 2017, the Group did not make any adjustment on the provision for loss of the project.

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

Long-term receivables

All amounts in RMB'000

Items	Closing balance			Opening balance			Range of discount rate
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	
Receivables on project	14,776,611	691,658	14,084,953	12,660,112	231,373	12,428,739	
Receivables on disposal of equity investments	333,485	–	333,485	333,485	–	333,485	4.35% to 6.15%
Others	2,030,136	–	2,030,136	2,260,570	–	2,260,570	
Total	<u>17,140,232</u>	<u>691,658</u>	<u>16,448,574</u>	<u>15,254,167</u>	<u>231,373</u>	<u>15,022,794</u>	<u>/</u>
Including: Long term receivables due within one year	3,649,485	12,795	3,636,690	3,749,393	3,757	3,745,636	/
Long term receivables due over one year	<u>13,490,747</u>	<u>678,863</u>	<u>12,811,884</u>	<u>11,504,774</u>	<u>227,616</u>	<u>11,277,158</u>	<u>/</u>

Bills payable

All amounts in RMB'000

Category	Closing balance	Opening balance
Bank acceptance bills	15,216,256	15,387,799
Commercial acceptance bills	1,749,800	2,250,492
Total	16,966,056	17,638,291

Accounts payable

(1) Accounts payable

All amounts in RMB'000

Items	Closing balance	Opening balance
Project fees	77,110,974	75,902,867
Purchases	28,773,884	28,330,653
Design fees	226,148	292,060
Labor fees	5,949,584	6,507,948
Retention money	472,672	465,114
Others	626,927	500,666
Total	113,160,189	111,999,308

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	Closing balance	Opening balance
Within 1 year	79,643,359	78,391,900
1 to 2 years	17,326,860	17,055,580
2 to 3 years	7,063,952	7,311,159
Over 3 years	9,126,018	9,240,669
Total	113,160,189	111,999,308

Receipts in advance*All amounts in RMB'000*

Items	Closing balance	Opening balance
Project fees	11,616,142	9,594,322
Sales proceeds	14,960,011	11,570,928
Design fees	713,887	575,721
Labor fees	95,335	48,825
Gross amounts due to contract customers	11,251,654	11,165,516
Others	202,658	206,038
Total	38,839,687	33,161,350

Dividends payable*All amounts in RMB'000*

Items	Closing balance	Opening balance
CMGC's dividends	735,907	—
The dividends on other holders of ordinary shares than those of CMGC	507,510	—
Dividend declared on perpetual bonds classified as equity instrument	205,972	168,633
Other dividends	536,999	658,793
Total	1,986,388	827,426

Operating revenue and operating costs*All amounts in RMB'000*

Items	Amount for the current period		Amount for the prior period	
	Operating revenue	Operating costs	Operating revenue	Operating costs
Principal business	100,732,539	87,677,196	95,251,556	82,974,858
Other business	352,948	249,039	573,099	391,927
Total	<u>101,085,487</u>	<u>87,926,235</u>	<u>95,824,655</u>	<u>83,366,785</u>

Taxes and levies*All amounts in RMB'000*

Items	Amount for the current period	Amount for the prior period
Business tax	97,591	1,114,808
City construction and maintenance tax	139,706	53,794
Education surcharges	67,647	28,488
Land appreciation tax	328,341	478,197
Property tax	90,102	—
Land use tax	64,097	—
Stamp duty	67,569	—
Others	<u>108,655</u>	<u>52,732</u>
Total	<u>963,708</u>	<u>1,728,019</u>

Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	1,500	8,541
Employee compensation costs	312,704	266,526
Depreciation expenses	8,711	7,352
Travelling expenses	83,985	66,234
Office expenses	63,738	50,720
Transportation expenses	77,846	60,446
Advertising and sales service expenses	225,682	219,217
Others	65,193	55,534
Total	839,359	734,570

Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,175,544	2,058,110
Depreciation expenses	283,843	316,597
Travelling expenses	144,175	124,785
Office expenses	244,208	259,573
Lease rentals	32,612	60,029
Research and development expenses	1,155,698	895,050
Repairs and maintenance expenses	61,297	78,967
Amortization of intangible assets	91,556	93,813
Consulting expenses	81,659	68,729
Others	341,461	405,503
Total	4,612,053	4,361,156

Financial expenses*All amounts in RMB'000*

Items	Amount for the current period	Amount for the prior period
Interest expenses	2,650,806	2,594,069
Less: Capitalized interests	(970,802)	(1,025,087)
Less: Interest income	(407,941)	(502,131)
Exchange losses(gains)	122,180	(120,869)
Bank charges	123,904	188,060
Others	78,450	153,898
Total	<u>1,596,597</u>	<u>1,287,940</u>

Impairment losses on assets*All amounts in RMB'000*

Items	Amount for the current period	Amount for the prior period
1. Bad debt provision	1,097,279	1,227,550
Including: Accounts receivable bad debts	392,273	1,044,040
Other receivables bad debts	192,894	135,676
2. Impairment of inventories	76,254	199,288
3. Impairment of long-term equity investments	64,890	—
4. Impairment of fixed assets	109,591	—
5. Impairment of construction in progress	2,211	—
6. Impairment of intangible assets	14,858	—
7. Impairment of goodwill	141	547
8. Others	(3,835)	(4,230)
Total	<u>1,361,389</u>	<u>1,423,155</u>

Investment income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Losses from long-term equity investments under equity method	(70,135)	(153,156)
Investment income on disposal of long- term equity investments	63,379	439,014
Investment income from holding financial assets at FVTPL	4,531	6,549
Investment income from holding available-for-sale financial assets	12,823	16,974
Investment income on disposal of available-for-sale financial assets	–	2,608
Others	700	699
Total	11,298	312,688

Non-operating income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Total gains on disposal of non-current assets	43,698	54,806	43,698
Including: Gains on disposal of fixed assets	43,597	43,850	43,597
Gains on disposal of intangible assets	–	6,195	–
Income from penalty	30,331	8,671	30,331
Gains on inventory taking	6	22	6
Government grants other than those in relation to routine activities	124,040	260,264	124,040
Approved unpayable balances	2,410	4,407	2,410
Others	51,767	59,768	51,767
Total	252,252	387,938	252,252

(a) *Government grants recognized in profit or loss other than those in relation to routine activities*

All amounts in RMB'000

Government grants	Amount for the current period	Amount for the prior period	Related to assets or income
Project for requisition of houses on Shuangbei Tunnel State-owned Land	15,974	–	Related to income
Retirement Subsidy to honorable retired staff and retirees from the Ministry of Science prior to system transformation	15,161	6,700	Related to income
Tongluotai Real Estate Project Subsidy	10,000	–	Related to income
Tax Return by Baoshan Luodian Development Zone	10,000	8,406	Related to income
Financial Incentives of Support Fund for Enterprises	3,360	10,860	Related to income
Subsidy for rural reconstruction in Chongqing Dadukou district	3,189	2,484	Related to income
Supporting Fund for Enterprises	2,649	609	Related to income
Infrastructure construction funds of Administration Committee of Changchun Culture Printing Industry Development Zone	2,200	–	Related to income
VAT Refunds to Enterprises due to Comprehensive Use of Resources	2,135	–	Related to income
Technology Innovation Funds in the Special Industry Fund Account	1,819	–	Related to income
Others	57,553	231,205	Related to income
Total	<u>124,040</u>	<u>260,264</u>	<u>/</u>

Non-operating expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Losses on disposal of non-current assets	7,687	10,680	7,687
Including: Losses on disposal of fixed assets	7,627	10,665	7,627
Losses on disposal of intangible assets	8	15	8
Non-recurring losses	451	2,155	451
Fines and surcharges for overdue payments	18,435	13,321	18,435
Compensation and default payments	44,194	6,116	44,194
Others	15,397	21,332	15,397
Total	<u>86,164</u>	<u>53,604</u>	<u>86,164</u>

Income tax expenses

(1) Income tax expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Current tax expenses	1,215,352	1,084,000
Deferred tax expenses	<u>(158,995)</u>	<u>(334,763)</u>
Total	<u>1,056,357</u>	<u>749,237</u>

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

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Total profit	3,974,212	3,576,401
Income tax expenses calculated at the statutory tax rate (25%)	993,553	894,100
Effect of difference between applicable tax rate and statutory tax rate	(339,614)	(225,209)
Income not subject to tax	(68,533)	(67,359)
Expenses not deductible for tax purposes	101,703	109,568
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(145,271)	(236,995)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	539,831	477,548
Others	(25,312)	(202,416)
Income tax expenses	<u>1,056,357</u>	<u>749,237</u>

- (3) There was no provision for Hong Kong profits tax has been made as the Group did not have any assessable profits in Hong Kong for the current period.

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

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

Other comprehensive income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(I) Items that will not be reclassified subsequently to profit or loss		
1. Re-measurement of defined benefit obligations	156,579	1,216
Less: Income tax effects on re-measurement of defined benefit obligations	10,401	25
Subtotal	146,178	1,191
(II) Items that may be reclassified subsequently to profit or loss		
1. Changes in fair value of available-for-sale financial assets	(8,995)	(102,217)
Amount included in other comprehensive income in prior years that is transferred to profit or loss for the current period	–	3,705
Less: Income tax effects on available-for-sale financial assets	(2,062)	(26,124)
Subtotal	(6,933)	(79,798)
2. Share of the investee's other comprehensive income under equity method	(142)	–
Less: Effect of income tax incurred by share of the investee's other comprehensive income under equity method	–	–
Subtotal	(142)	–
3. Exchange differences on translating foreign operations	(77,394)	9,688
Less: Income tax effects on the exchange differences on translating foreign operations	(1,704)	(4,051)
Subtotal	(75,690)	13,739
Total	63,413	(64,868)

(IV) Events after the balance sheet date

Public Issuance of Renewable Corporate Bonds

On 13 December 2016, as approved by “Zheng Jian Xu Ke [2016] No. 3073” from the CSRC, the Company could publicly issue the Renewable Corporate Bonds with an aggregate amount not exceeding RMB8 billion in multiple tranches to qualified investors.

From 10 July to 11 July 2017, the Company publicly issued the Renewable Corporate Bonds (Third Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd. (“the Third Tranche Bonds”). The actual offering size of the Third Tranche Bonds is RMB2 billion. The Third Tranche Bonds defines three interest accrual years as one cycle. At the end of each cycle, the Company is entitled to extend the Third Tranche Bonds for an additional cycle (i.e. three years), or to redeem the Third Tranche Bonds in full amount as they fall due at the end of the cycle. The coupon rate is 5.10% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which should be determined by the benchmark interest rate at that time plus the initial interest spread on issue and then plus 300 basis points.

From 27 July to 28 July 2017, the Company publicly issued the Renewable Corporate Bonds (Fourth Tranche) for 2017 under the Public Issuance by Metallurgical Corporation of China Ltd. (“the Fourth Tranche Bonds”). The actual offering size of the Fourth Tranche Bonds is RMB1.3 billion. The Fourth Tranche Bonds defines three interest accrual years as one cycle. At the end of each cycle, the Company is entitled to extend the Fourth Tranche Bonds for an additional cycle (i.e. three years), or to redeem the Fourth Tranche Bonds in full amount as they fall due at the end of the cycle. The coupon rate is 5.10% for the first three interest accrual years. If the issuer does not exercise redemption right, the coupon rate is reset every three years from the fourth interest accrual year, which should be determined by the benchmark interest rate at that time plus the initial interest spread on issue and then plus 300 basis points.

Issuance of USD Debentures

MCC Holding (Hong Kong) Corporation Limited, the Company’s subsidiary, issued USD debentures on 17 July 2017 at a discounted price of USD499,803,000, with a face value of USD500,000,000. This issuance is an additional issuance of the issuance of USD500,000,000 debentures on 31 May 2017 (note VII37(2)(e)). The debentures bear interest at a fixed rate of 2.95% per annum and the expiration date is 31 May 2020. Interest will be paid on a half year basis and principal will be paid upon maturity date.

(V) Other significant items

Segment information

(1) Accounting policies of the segment

The Group determines the operating segments based on the internal organizational structure, management requirements and internal reporting system. The reportable segments are determined based on operating segments.

Operating segment is a component of the Group which is satisfied all of the following conditions:

- (a) The component is able to generate income, expenses in daily activities;
- (b) The Group's management evaluates the operating results of that segment regularly, determines the allocation of resources, and evaluates its performance;
- (c) The Group can obtain the financial position, operating results, cash flow and other relevant accounting information of the segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

The management of the Group has performed assessments of the operating results of engineering contracting, property development, equipment manufacture, and resource development. The management also evaluates the operating results of the above segments generated in different geographical locations.

The information of the operating and reportable segments is derived from the information reported by the management of each respective segment. The accounting policies and measurement basis of this information are the same as the Group's accounting policies adopted in preparing these financial statements.

Intersegment transactions are based on the actual transaction price. Segment revenue and segment expenses are recognized based on the actual revenue generated and actual expenses incurred by the respective segments. Assets and liabilities are allocated to the respective segments according to the assets used or liabilities assumed in their daily operating activities.

(2) Summarized financial information of reporting segment

(a) Segment information for the period ended 30 June 2017 and as at 30 June 2017

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	86,848,396	10,144,056	2,530,369	2,506,503	864,815	–	1,808,652	101,085,487
Including: Revenue from external customers	85,587,190	10,104,009	2,417,905	2,498,359	478,024	–	–	101,085,487
Revenue between segments	1,261,206	40,047	112,464	8,144	386,791	–	1,808,652	–
Operating costs	77,335,338	7,655,959	2,250,011	1,789,573	695,211	–	1,799,857	87,926,235
Including: External costs	76,080,254	7,615,580	2,139,694	1,782,288	308,419	–	–	87,926,235
Costs between segments	1,255,084	40,379	110,317	7,285	386,792	–	1,799,857	–
Operating profit/(loss)	2,426,384	1,448,058	(138,928)	(48,415)	203,061	(76,252)	5,784	3,808,124
Including: Interest income	51,900	54,653	19,690	4,424	558,640	–	281,366	407,941
Interest expense	1,033,737	185,272	65,328	265,505	411,528	–	281,366	1,680,004
Investment income/(loss) from associates and joint ventures	(76,242)	5,716	–	–	391	–	–	(70,135)
Non-operating income	161,388	42,273	31,949	4,733	11,909	–	–	252,252
Non-operating expenses	33,956	47,328	4,255	181	444	–	–	86,164
Total profit/(loss)	2,553,816	1,443,003	(111,234)	(43,863)	214,526	(76,252)	5,784	3,974,212
Income tax expenses	597,775	384,522	17,035	24	57,001	–	–	1,056,357
Net profit/(loss)	1,956,041	1,058,481	(128,269)	(43,887)	157,525	(76,252)	5,784	2,917,855
Assets	281,828,611	109,429,602	15,224,033	19,586,259	32,942,497	4,502,920	60,818,666	402,695,256
Including: Long-term equity investments in associates and joint ventures	5,910,349	755,843	–	68	64,212	–	–	6,730,472
Non-current assets	30,863,333	3,532,497	5,257,804	13,824,332	15,182,085	–	10,614,436	58,045,615
Liabilities	231,495,691	80,835,465	10,590,899	20,100,402	27,574,738	210,124	59,395,638	311,411,681
Depreciation and amortization expenses	797,832	39,650	164,998	456,543	72,861	–	–	1,531,884
Assets impairment losses	1,154,560	8,198	47,611	150,479	541	–	–	1,361,389
Increase in other non-current assets other than long-term equity investments	2,060,411	228,041	51,014	85,447	49,377	–	–	2,474,290

(b) Segment information for the period ended 30 June 2016 and as at 31 December 2016

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	81,666,232	9,695,383	3,057,360	1,834,972	1,474,099	–	1,903,391	95,824,655
Including: Revenue from external customers	80,551,346	9,572,267	2,704,161	1,811,126	1,185,755	–	–	95,824,655
Revenue between segments	1,114,886	123,116	353,199	23,846	288,344	–	1,903,391	–
Operating costs	73,003,048	6,406,128	2,656,695	1,850,178	1,292,720	–	1,841,984	83,366,785
Including: External costs	71,961,059	6,274,130	2,298,184	1,830,510	1,002,902	–	–	83,366,785
Costs between segments	1,041,989	131,998	358,511	19,668	289,818	–	1,841,984	–
Operating profit/(loss)	1,842,909	2,117,912	(135,304)	(590,283)	99,874	(62,770)	30,271	3,242,067
Including: Interest income	127,460	80,175	25,370	3,884	580,184	–	314,942	502,131
Interest expenses	810,564	194,083	84,978	290,005	504,294	–	314,942	1,568,982
Investment income/(loss) from associates and joint ventures	(148,404)	408,634	–	–	(4,039)	–	–	256,191
Non-operating income	278,134	52,145	34,574	4,979	18,106	–	–	387,938
Non-operating expenses	41,937	3,379	6,260	1,780	248	–	–	53,604
Total profit/(loss)	2,079,106	2,166,678	(106,990)	(587,084)	117,732	(62,770)	30,271	3,576,401
Income tax expenses	204,205	461,143	43,261	13	40,615	–	–	749,237
Net profit/(loss)	1,874,901	1,705,535	(150,251)	(587,097)	77,117	(62,770)	30,271	2,827,164
Assets	266,340,920	97,490,879	16,464,484	20,460,100	37,075,969	4,358,008	64,698,756	377,491,604
Including: Long-term equity investments in associates and joint ventures	4,391,205	708,458	–	–	63,822	–	–	5,163,485
Non-current assets	27,588,226	3,377,105	5,374,702	14,922,236	17,133,433	–	11,979,370	56,416,332
Liabilities	221,940,913	71,833,031	9,686,611	22,531,109	31,289,833	212,401	63,109,997	294,383,901
Depreciation and amortization expenses	823,293	34,276	176,410	461,297	65,191	–	–	1,560,467
Assets impairment losses	1,351,698	7,282	80,056	6,073	(21,954)	–	–	1,423,155
Increase in other non-current assets other than long-term equity investments	1,301,192	65,627	34,802	223,073	86,107	–	–	1,710,801

(3) *Other notes*

- (a) Revenue from external customers classified by source of income and non-current assets classified by geographic locations

All amounts in RMB'000

Operating revenue	Amount recognized in the current period	Amount recognized in the prior period
China	93,645,130	89,870,420
Other countries/regions	7,440,357	5,954,235
Total	<u>101,085,487</u>	<u>95,824,655</u>

All amounts in RMB'000

Non-current assets	Closing balance	Opening balance
China	44,675,660	42,449,490
Other countries/regions	13,369,955	13,966,842
Total	<u>58,045,615</u>	<u>56,416,332</u>

- (b) The dependency on major customers

There is not any external customer the revenue from whom counted over 10% of the operating revenue of the Group.

Earnings per share

- (1) *When calculating earnings per share, net profit for the current period attributable to ordinary shareholders*

All amounts in RMB'000

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to shareholders of the Company	2,674,676	2,415,926
Including: Net profit from continuing operations	2,674,676	2,415,926
Less: Net profit belong to the perpetual bond holders	322,339	249,309
Net profit for the current period attributable to ordinary shareholders	2,352,337	2,166,617

- (2) *For the purpose of calculating basic earnings per share, the denominator is the weighted average number of outstanding ordinary shares*

All amounts in thousand shares

	Amount for the current period	Amount for the prior period
Number of ordinary shares outstanding at the beginning of the period	20,723,619	19,110,000
Add: Weighted average number of ordinary shares issued during the period	—	—
Less: Weighted average number of ordinary shares repurchased during the period	—	—
Number of ordinary shares outstanding at the end of the period	20,723,619	19,110,000

(3) *Earnings per share*

All amounts in RMB

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.11	0.11
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.11	0.11
Diluted earnings per share	Not applicable	Not applicable
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	Not applicable	Not applicable
Diluted earnings per share	Not applicable	Not applicable

XI. DIVIDEND

During the Reporting Period, the Company had no preliminary proposal for profit distribution or transfer of capital reserve to share capital for the half year. No interim dividend will be declared by the Board for the Reporting Period.

XII. SHARE CAPITAL

(I) Changes in shares

1. Table of changes in shares

Unit: share

	Before change		Change (+/-)					After change	
	Number	Percentage (%)	Issue of new shares	Bonus shares	Capital reserve transferred to shares	Others	Subtotal	Number	Percentage (%)
I. Shares subject to selling restrictions	0	0	1,613,619,170	0	0	0	1,613,619,170	1,613,619,170	7.79
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares owned by state-owned legal person	0	0	24,762,154	0	0	0	24,762,154	24,762,154	0.12
3. Other domestically-owned shares	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
Including: shares held by domestic non-state-owned legal person	0	0	1,588,857,016	0	0	0	1,588,857,016	1,588,857,016	7.67
shares held by domestic natural person	0	0	0	0	0	0	0	0	0
4. Foreign shareholding	0	0	0	0	0	0	0	0	0
Including: shares held by overseas legal person	0	0	0	0	0	0	0	0	0
shares held by overseas natural person	0	0	0	0	0	0	0	0	0
II. Tradable shares not subject to selling restrictions	19,110,000,000	100	0	0	0	0	0	19,110,000,000	92.21
1. RMB-denominated ordinary shares	16,239,000,000	84.98	0	0	0	0	0	16,239,000,000	78.36
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas-listed foreign shares	2,871,000,000	15.02	0	0	0	0	0	2,871,000,000	13.85
4. Others	0	0	0	0	0	0	0	0	0
III. Total number of shares	19,110,000,000	/	1,613,619,170	0	0	0	1,613,619,170	20,723,619,170	/

2. Explanation on the changes in shares

The Company carried out the non-public issuance of RMB-denominated ordinary shares (A Shares) with a nominal value of RMB1 each to specific investors on 26 December 2016. The Company completed the procedures for the registration of trusteeship regarding the non-public issuance of A Shares on 6 January 2017, with the issuance number of 1,613,619,170 shares at the issuing price of RMB3.86 per share, the total number of shares upon the completion of the registration amounted to 20,723,619,170 shares and the net proceeds raised amounting to RMB6,173,491,784.27.

(II) Changes in shares subject to selling restrictions

Unit: share

Name of Shareholder	Number of shares subject to selling restrictions at the beginning of the period	Number of shares released from selling restrictions during the Reporting Period	Increased number of shares subject to selling restrictions during the Reporting Period	Number of shares subject to selling restrictions at the end of the Reporting Period	Reason for selling restrictions	Date of shares released from selling restrictions
Caitong Fund Management Co., Ltd. (財通基金管理有限公司)	0	0	524,286,787	524,286,787	Non-public issuance	6 January 2018
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	0	0	181,345,336	181,345,336	Non-public issuance	6 January 2018
Penghua Asset Management Co., Ltd. (鵬華資產管理有限公司)	0	0	161,580,310	161,580,310	Non-public issuance	6 January 2018
Lion Fund Management Co., Ltd. (諾安基金管理有限公司)	0	0	166,581,968	166,581,968	Non-public issuance	6 January 2018
CCB Principal Asset Management Co., Ltd. (建信基金管理有限責任公司)	0	0	173,901,450	173,901,450	Non-public issuance	6 January 2018
China Hongxin Securities Co., Ltd. (宏信證券有限責任公司)	0	0	161,404,041	161,404,041	Non-public issuance	6 January 2018
Huatai Asset Management Company Ltd. (華泰資產管理有限公司)	0	0	219,757,124	219,757,124	Non-public issuance	6 January 2018
China State-owned Enterprises Restructuring Fund Co., Ltd. (中國國有企業結構調整基金股份有限公司)	0	0	24,762,154	24,762,154	Non-public issuance	6 January 2018
Total	0	0	1,613,619,170	1,613,619,170	/	/

XIII. PARTICULARS OF SHAREHOLDERS

Total number of Shareholders

Total number of ordinary Shareholders as at the end of the Reporting Period 483,360

Total number of shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period 0

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

Unit: share

Name of Shareholder (full name)	Shareholding of the top 10 Shareholders						
	Change during	Number of Shares	Percentage	Number of Shares	Pledged or frozen		Nature of Shareholder
	the Reporting Period	held at the end of the period		subject to selling restrictions	Status of Shares	Amount	
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	0	12,265,108,500	59.18	0	Nil	0	State-owned legal person
HKSCC Nominees Limited (香港中央結算(代理人)有限公司) ⁽²⁾	856,000	2,842,621,000	13.72	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	396,055,131	701,119,541	3.38	0	Nil	0	State-owned legal person
Huatai Asset Management Company Ltd. – Strategic Investment Products(華泰資產管理有限公司-策略投資產品)	185,220,207	185,220,207	0.89	185,220,207	Nil	0	Others
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	181,345,336	0.88	181,345,336	Nil	0	Others
Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust – Bohui No. 45 Collective Fund Trust (鵬華資產－招商銀行－華潤深國投信託－華潤信託－博睿45號集合資金信託計劃)	161,580,310	161,580,310	0.78	161,580,310	Nil	0	Others
CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi International Investment – Haitang No. 2 Directional Investment Collective Fund Trust (建信基金－工商銀行－陝西國際信託－陝國投－海棠2號定向投資集合資金信託計劃)	161,404,041	161,404,041	0.78	161,404,041	Nil	0	Others

Shareholding of the top 10 Shareholders							
Name of Shareholder (full name)	Change during	Number of Shares	Percentage (%)	Number of Shares	Pledged or frozen		Nature of Shareholder
	the Reporting Period	held at the end of the period		subject to selling restrictions	Status of Shares	Amount	
Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際信託有限公司 – 雲南信託 – 華浩1號集合資金信託計劃)	161,404,041	161,404,041	0.78	161,404,041	Nil	0	Others
Lion Fund – Industrial Securities – Nanjing Shuang'an Asset Management Co., Ltd. (諾安基金 – 興業證券 – 南京雙安資產管理有限公司)	161,401,139	161,401,139	0.78	161,401,139	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person

Shareholding of top 10 Shareholders not subject to selling restrictions

Name of Shareholder	Number of tradable shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	12,265,108,500	RMB-denominated ordinary shares	12,265,108,500
HKSCC Nominees Limited (香港中央結算(代理人)有限公司)	2,842,621,000	Overseas-listed foreign shares	2,842,621,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	701,119,541	RMB-denominated ordinary shares	701,119,541
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Agricultural Bank of China Limited – Fullgoal CSI State-owned Enterprises Reform Index Classified Securities Investment Fund (中國農業銀行股份有限公司 – 富國中證國有企業改革指數分級證券投資基金)	35,861,162	RMB-denominated ordinary shares	35,861,162
Evergrande Life Insurance Company Limited – Comprehensive Portfolio B (恒大人壽保險有限公司 – 萬能組合B)	17,833,600	RMB-denominated ordinary shares	17,833,600
Hong Kong Securities Clearing Company Limited (香港中央結算有限公司)	16,589,299	RMB-denominated ordinary shares	16,589,299
China Construction Bank–SSE 180 Trading Open-ended Index Securities Investment Fund (中國建設銀行–上證180交易型開放式指數證券投資基金)	14,307,125	RMB-denominated ordinary shares	14,307,125
Huang Canliang (黃燦良)	13,580,000	RMB-denominated ordinary shares	13,580,000

Name of Shareholder	Number of tradable shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Life Insurance Company Limited–Traditional–Ordinary Insurance Products –005L-CT001 Shanghai (中國人壽保險股份有限公司 – 傳統 – 普通保險產品 – 005L-CT001滬)	12,452,000	RMB-denominated ordinary shares	12,452,000
Explanations on the connections or parties acting in concert among the aforesaid Shareholders	The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders		
Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held	Not applicable		

Note (1): Figures in the table were extracted from the Company's register of Shareholders as of 30 June 2017.

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

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

Unit: share

No.	Name of Shareholder who is subject to selling restrictions	Number of tradable shares held subject to selling restrictions held	Shares subject to selling restrictions available for listing and trading		
			Time available for listing and trading	Number of additional shares available for listing and trading	Trading restrictions
1	Huatai Asset Management Company Ltd. – Strategic Investment Products (華泰資產管理有限公司 – 策略投資產品)	185,220,207	6 January 2018	185,220,207	12 months
2	Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	6 January 2018	181,345,336	12 months
3	Penghua Asset – China Merchants Bank – China Resources SZITIC Trust – China Resources Trust • Bohui No. 45 Collective Fund Trust (鵬華資產 – 招商銀行 – 華潤深國投信託 – 華潤信託 • 博薈45號集合資金信託計劃)	161,580,310	6 January 2018	161,580,310	12 months
4	CCB Principal Asset – ICBC – Shaanxi International Trust – Shaanxi International Investment • Haitang No. 2 Directional Investment Collective Fund Trust (建信基金 – 工商銀行 – 陝西國際信託 – 陝國投 • 海棠2號定向投資集合資金信託計劃)	161,404,041	6 January 2018	161,404,041	12 months

No.	Name of Shareholder who is subject to selling restrictions	Number of tradable shares held subject to selling restrictions held	Shares subject to selling restrictions available for listing and trading		
			Time available for listing and trading	Number of additional shares available for listing and trading	Trading restrictions
5	Yunnan International Trust Co., Ltd. – Yunnan Trust – Huahao No. 1 Collective Fund Trust (雲南國際信託有限公司 – 雲南信託 – 華浩1號集合資金信託計劃)	161,404,041	6 January 2018	161,404,041	12 months
6	Lion Fund – Industrial Securities – Nanjing Shuang'an Asset Management Co., Ltd. (諾安基金 – 興業證券 – 南京雙安資產管理有限公司)	161,401,139	6 January 2018	161,401,139	12 months
7	Caitong Fund – China Everbright Bank – China Galaxy Securities Co., Ltd. (財通基金 – 光大銀行 – 中國銀河證券股份有限公司)	51,806,010	6 January 2018	51,806,010	12 months
8	Caitong Fund – ICBC – Beijing Hesheng Qiantong Investment Co., Ltd. (財通基金 – 工商銀行 – 北京和盛乾通投資有限公司)	43,142,798	6 January 2018	43,142,798	12 months
9	Caitong Fund – Industrial Bank – Shanghai Guoxin Investment & Development Co., Ltd. (財通基金 – 興業銀行 – 上海國鑫投資發展有限公司)	38,854,508	6 January 2018	38,854,508	12 months
10	Caitong Fund – ICBC – Zhongxinjian Merchant Equity Investment Co., Ltd. (財通基金 – 工商銀行 – 中新建招商股權投資有限公司)	38,854,508	6 January 2018	38,854,508	12 months
11	Caitong Fund – ICBC – Huarong International Trust – Huarong • Yuance Fixed Gain Fund Advantage Portfolio Single Fund Trust (財通基金 – 工商銀行 – 華融國際信託 – 華融•遠策定增優勢組合單一資金信託)	38,854,508	6 January 2018	38,854,508	12 months

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

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

Note: Names of Shareholders shall be those included in the new register of Shareholders as of 30 June 2017 provided by CSDCC.

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

Other than (1) the non-public issuance of A Shares of the Company as described in other parts of this announcement, and (2) the public issuance of 2017 Renewable Corporate Bonds (First Tranche) of the Company with an offering size of RMB2,700 million and coupon rates of 4.99% and the 2017 Renewable Corporate Bonds (Second Tranche) with an offering size of RMB2,000 million and coupon rates of 4.98%, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

XV. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

The Board of the Company has reviewed the corporate governance report of the Company. The Board is of the view that during the Reporting Period, the Company has complied with the requirements of the Corporate Governance Code, except paragraph E.1.2 of the Corporate Governance Code. Pursuant to paragraph E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Guo Wenqing, the chairman of the Company, was unable to attend the 2016 annual general meeting due to business engagement. Pursuant to the relevant requirements, Zhang Zhaoxiang, the vice Chairman of the Board and an executive Director of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting.

XVI. COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

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

XVII. REVIEW ON INTERIM RESULTS BY THE FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Company and its subsidiaries in collaboration with the Company's management, and has discussed with the Directors on matters in relation to the internal control and the financial reporting of the Company, including the review of the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2017.

XVIII. PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2017 will be available on the website of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (<http://www.mccchina.com>) at the beginning of September 2017 for inspection by the Shareholders of the Company.

XIX. DEFINITIONS

“Company” or “MCC”	Metallurgical Corporation of China Ltd.*
“China” or “PRC”	the People's Republic of China, excluding, for the purpose of this document, Hong Kong, Macau and Taiwan
“Hong Kong”	the Hong Kong Special Administrative Region of the People's Republic of China
“State Council”	the State Council of the People's Republic of China
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“CSRC”	the China Securities Regulatory Commission
“SSE” or “Shanghai Stock Exchange”	the Shanghai Stock Exchange
“Shanghai Listing Rules” or “A Share Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “MCC Group”	China Metallurgical Group Corporation

“Shareholders’ Meeting”	the Shareholders’ meeting of Metallurgical Corporation of China Ltd.*
“Shareholder(s)”	holder(s) of share(s) of the Company
“Board”	the board of Directors of Metallurgical Corporation of China Ltd.*
“Director(s)”	the Director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director” or “Independent Non-executive Director”	a Director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the Supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2017 to 30 June 2017
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules

“connected person(s)”	connected party/parties under A Share Listing Rules and connected person(s) under the H Share Listing Rules
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States
“SGD”	Singapore dollars, the lawful currency of Singapore
“SFO” or “Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules

The forward-looking statements contained in this announcement including the Company’s future plans do not constitute any substantive commitment to investors by the Company, and investors are reminded of investment risks.

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

By order of the Board
Metallurgical Corporation of China Ltd.*
Li Yuzhuo
Joint Company Secretary

Beijing, the PRC
29 August 2017

As at the date of the announcement, the Board of the Company comprises two executive directors: Mr. Guo Wenqing and Mr. Zhang Zhaoxiang; two non-executive directors: Mr. Jing Tianliang and Mr. Lin Jinzhen; and three independent non-executive directors: Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung Peter.

* For identification purposes only