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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)

2018 INTERIM RESULTS ANNOUNCEMENT

OVERVIEW

The highlights of Company's financial position for the six months ended 30 June 2018 and the operating results as at six months ended 30 June 2018 are as follows:

- Operating revenue amounted to RMB126,113 million, representing a year-on-year increase of RMB25,028 million or 24.76% from RMB101,085 million in the first half of 2017.
- Operating profit amounted to RMB4,910 million, representing a year-on-year increase of RMB1,066 million or 27.72% from RMB3,844 million in the first half of 2017.
- Net profit amounted to RMB3,499 million, representing a year-on-year increase of RMB581 million or 19.92% from RMB2,918 million in the first half of 2017.
- Net profit attributable to Shareholders of the Company amounted to RMB2,907 million, representing a year-on-year increase of RMB232 million or 8.69% from RMB2,675 million in the first half of 2017.
- Basic earnings per share amounted to RMB0.12, and the basic earnings per share in the first half of 2017 amounted to RMB0.11.
- As at 30 June 2018, total assets amounted to RMB441,236 million, representing an increase of RMB26,671 million or 6.43% from RMB414,565 million as at 31 December 2017.
- As at 30 June 2018, total Shareholders' equity amounted to RMB101,603 million, representing an increase of RMB4,283 million or 4.40% from RMB97,320 million as at 31 December 2017.
- Newly signed contracts amounted to RMB316,607 million, representing an increase of RMB18,828 million or 6.32% from RMB297,779 million in the first half of 2017.

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

I. CHAIRMAN'S STATEMENT

You reap what you sow. In the first half of the year, insisting on the strategic positioning of “being the national team for metallurgical construction, the main force for fundamental construction, the forerunner of the emerging industries, and long-term adherence to pursuing the path for development with advanced technologies and high quality”, MCC’s interim operating results broke records again, creating the historical best compared with the same period before.

During the Reporting Period, the Group had remarkable increase in revenue and profit year on year, among which the operating revenue amounted to RMB126,100 million, representing a year-on-year increase of 24.76%, while the total profit amounted to RMB4,660 million, representing a year-on-year increase of 17.35%, among which the net profit attributable to Shareholders of the listed Company amounted to RMB2,910 million, representing a year-on-year increase of 8.69%. It was the first time for all the four major business segments recorded profit. The revenue from the engineering segment and property segment experienced steady growth, while the revenue and profit from the resource segment increased substantially, and the manufacture segment turned losses into profit. The contract quality continued to improve, with remarkable increase in the number of newly-signed large-scale projects. The newly-signed projects with the amount of over RMB500 million amounted to RMB176,800 million, representing a year-on-year increase of 18.22%, accounting for 59.02% of all newly-signed projects. The Company has made new achievements in scientific and technological innovation, resulting in emerging in major innovation results. Three national enterprise technology centers and one national technology standard innovation base have been approved, becoming one of the first batch of the six international standard innovation bases in China, and the number of science and technology platforms with national level has increased to 24. The Company had 2,100 new authorized patents, accumulating over 23,000 effective patents, further improving its quality of patents. MCC continues to maintain a steady upward development with accelerated development trend.

A wise person changes his way as situation changes, and a knowledgeable person creates rules as time evolves. There are increasing instabilities and uncertainties in the current international situation. As China’s economy has turned to a high-quality development stage, the principal contradiction in the society has been transformed into the contradiction between the people’s increasing needs for better life and the unbalanced and inadequate development. It is more necessary to rely on technological breakthroughs and innovative drive as compared with before, and to adequately leverage the high-tech resource endowment of MCC, in order to respond to changes in the situation and solve the problems of unbalanced and inadequate contradiction. MCC will continue to unswervingly focus on the high-tech and high-quality development, firmly grasp the fundamentals of prioritizing quality and efficiency, keep abreast of the deepening the drive of reform and innovation, strengthen the solid foundation of technology, manage soft support, vigorously enhance the innovation, brand influence and core competitiveness of the enterprise, and build a new supply system that adapts to new demands. The Company will plan to optimize the business portfolio, strive for sustainable and stable income, enhance the foundation and capability of the enterprise to respond to the new challenges of future development, and prepare for the sustainable development of MCC.

In the new era, the national team shall be the professional national team. We will continue to unswervingly develop the “national team” of the No. 1 metallurgical construction and operation service in the world. Targeting the high-quality development needs in the steel industry, closely centering on eight key words, including structural adjustment, industrial upgrading, intelligent manufacturing, green manufacturing, new technologies, new process, new materials and new manufacturing methods, taking intellectualization, greenization, and productization, internationalization and others as important measures, the Company will make remarkable achievements in systemic technological innovation, make new and greater contributions to the improvement of sustainable competitiveness in the steel industry, and become a leader in transformation and upgrading of the steel industry in China and development of the global steel industry.

In the new era, the main force shall have their own features. We will closely follow the characteristics of new demands in the deceleration and quality development stage of the new urbanization in China to achieve greater results. Grasping the increasing development space brought by “the Belt and Road”, deeply integrating into the construction of the “Beijing-Tianjin-Hebei Coordinated Development”, “Yangtze River Economic Belt” and “China Western Development”, and deepening and optimizing the market strategies of “macro environment, large-scale projects and major customers”, the Company will unswervingly conduct a thorough improvement in regional markets, improve its market share, strengthen core competence, enhance brand reputation, accelerate the transformation into a world-class urban operator, industrial development system solution provider and the entire life-cycle service provider of engineering projects, and become the most satisfactory partners and promoters for implementation of the new urbanization and regional development strategies.

In the new era, the forerunner shall have their own strengths. Closely focusing on the market opportunities brought about by the national strategies including beautiful and healthy China, beautiful life and rural revitalization, regarding technology as guidance, taking planning and design consultation as the lead, we will keep track of the industrial demands, expand and strengthen the most competitive market segments of industrial clusters, including energy conservation and environmental protection, urban pipe network, comprehensive governance of water environment, health care industry, beautiful countryside, smart city, new energy, new materials and others, to achieve scale and brand effects, becoming an industry leader of “expert brand + industrial platform company” with high-end technology, products and market and international competitiveness for realization of the guiding role in the industrial value chain.

It is the suitable time to strive ahead for achievement when opportunities come. I believe that employees of MCC who are courageous to fight for and pursue excellence will be even more striving and hardworking, devoting all the efforts to create new and greater value for the country, Shareholders, society and the employees!

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

In the first half of 2018, China economy maintained stability amid changing conditions while facing some new problems and challenges. The national investment in fixed assets (excluding farmers) in the first half of 2018 amounted to RMB29,731,600 million, representing an increase of 6% as compared with the same period last year with a declining growth rate. Monetary policy stance was neutral yet tightening and regulations on financial activities were augmenting.

Upon in-depth promotion of multiple supply-side structural reform measures, including elimination of outdated industrial capacity, removal of “substandard steel” and stringent environmental protection policies, in the first half of 2018, the entire iron and steel industry was able to swiftly escape from of the ebb of overall losses, record a substantial improvement on profitability, and enter a relatively stable period for development. As restrictive production for environmental protection continued to drive iron and steel enterprises to speed up environmental protection reforms, structural adjustments as well as transformation and upgrade, the whole sector has relatively strong market demand for green development, intelligent development and top-level operation service, which provided numerous opportunities for the Company to strive for achieving “further advancement, further optimization and further re-creation of the national team for metallurgical construction” in its traditional core business.

In the first half of 2018, investment in infrastructure (excluding production and supply industry of electricity, heat, gas and water) represented a year-on-year increase of 7.3%. The national investment growth in infrastructure obviously slowed down in the first half of 2018. According to the overall deployment of the Central Committee of the Party, going forward, the capacity to bolster the weakness of the fundamental infrastructure sector will be strengthened, in order to boost innovation and develop new momentum. It is expected to rebound in the second half of 2018, as the structural and regional adjustments may serve as the main drivers to replace the previous drivers as a whole. Greater efforts may be intensified by the middle and western districts where infrastructure is relatively weak, while major strategies of rural revitalization and precise poverty alleviation will also speed up growth in rural areas.

In the first half of 2018, the world economy witnessed an overall sluggish recovery, but structural problems have not been effectively resolved, thereby increasing instabilities and uncertainties caused by diverse macroeconomic policies, trade protectionism and others. Meanwhile, more market opportunities also existed in overseas business expansion, which were mainly reflected in the following aspects: The PRC government continued to facilitate the construction of “the Belt and Road” Initiative and strengthened its strategic alignment with other countries along the route to usher in a broader room for cooperation in infrastructure construction, energy cooperation and equipment manufacturing and other fields; China has accumulated abundant foreign exchange reserves in the previous round of global prosperity with sufficient capital which provided funding as favorable support to the PRC enterprises for direct foreign investment.

(2) *The Operating Results of the Business*

During the Reporting Period, the new construction contracts of the Company amounted to RMB299.63 billion, representing a year-on-year increase of 9.12%, further creating a record high. Newly signed metallurgical engineering contracts amounted to RMB44.569 billion, accounted for 14.87% of the new contracts, representing an increase of 9.40% as compared with the same period of 2017. Newly signed non-steel engineering contracts amounted to RMB255.061 billion, accounted for 85.13% of the new contracts, representing an increase of 9.07% as compared with the same period of 2017. Newly signed overseas contracts amounted to RMB7.755 billion.

The overall operating results of the engineering contracting business in the first half of 2018

Unit: RMB'000

	The first half of 2018	% of the total	The first half of 2017	Year-on-year increase/decrease
Segment operating revenue	111,238,227	85.65%	86,848,395	28.08%
Gross margin (%)	9.63	–	10.91	Decreased by 1.28 percentage points
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Note: The segment operating revenue and gross margin above are before inter-segment eliminations.

① Metallurgical Engineering Construction Business

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” during the Reporting Period to deepen the development and construction of the whole-process, full-function and full-lifecycle business and service system, continuously conquer the difficulties on core technology, and 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. The Company has a profound understanding on the importance of intelligent manufacturing to the development of iron and steel industry in the future, actively collaborates with domestic leading companies in iron and steel industry, is committed to creating the intelligent iron and steel demonstration plants of MCC Brand, and leads the way for intelligent development of iron and steel in China. The Company proactively creates green iron and steel, and is dedicated to improving the core technologies of green, recycling and low-carbon to further speed up the research and development of green technologies, such as “New Generation of Green and Intelligent Blast Furnace Technology”, “Large-scale Belt Pallet Furnace Technology” and “Green and High Efficient Coking Technology”, and establishes new international technology standards and design and construction standards.

In the overseas metallurgical construction markets, the Company introduced the Chinese technical standards and the whole industrial chain mode “going out” with the highest level of national team for metallurgical construction. No. 2 blast furnace at Formosa Ha Tinh Steel Plant was successfully put into operation during the Reporting Period, technology indicators of which have reached the world’s most advanced level of the same type of furnace. Kuantan project in Malaysia is in a trial stage, experiencing the speed in China and MCC mentioned in “the Belt and Road”. It will create a new record of large-scale iron and steel construction project with the shortest overseas construction period and the highest management efficiency.

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

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
1	EPC General Contracting Project for Industry Upgrading in HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company to Blast Furnace Area (河鋼產業升級及宣鋼產能轉移高爐區域EPC總承包項目)	34.0	MCC Capital Engineering & Research Incorporation Limited
2	General Contract Project for Engineering Design, Procurement and Construction of Jilin Tianchi Mining (吉林天池礦業工程設計採購施工總承包項目)	13.0	MCC TianGong Group Corporation Limited
3	Construction Project of Steel Production Capacity Replacement (Conversion and Upgrading of New and Old Kinetic Energy of Process Equipment) of Laigang Yongfeng Steel Co., Ltd. in Shangdong Province (山東萊鋼永鋒鋼鐵有限公司煉鋼產能置換方案的建設項目(工藝裝備新舊動能轉換升級改造))	9.8	Shanghai Baoye Group Corp., Ltd.
4	General Contracting Project of Optimization, Upgrading and Transformation of Steelmaking Products of Minmetals Yingkou Medium Plate Co., Ltd. (五礦營口中板有限責任公司煉鋼產品優化升級改造項目總承包項目)	9.2	CISDI Group Co.,Ltd.
5	General Contracting Project for Quantum EAF of Fujian Dingsheng Iron and Steel Co., Ltd. (福建鼎盛鋼鐵有限公司量子電爐工程總承包項目)	9.0	WISDRI Engineering & Research Incorporation Limited

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
6	Steelmaking Building Installation Project for Industrial Upgrading of HBIS Group Co. Ltd and Production Capacity Transfer of HBIS Group Xuansteel Company in Hebei Province (河北河鋼產業升級及宣鋼產能 轉移項目煉鋼建築安裝工程)	8.1	Shanghai Baoye Group Corp., Ltd.
7	General Contracting Project for ESP Headless Strip Production Line of Fujian Dingsheng Iron and Steel Co., Ltd. (福建鼎盛鋼鐵有限公司ESP 無頭帶鋼生產線工程總承包項目)	7.3	WISDRI Engineering & Research Incorporation Limited
8	Construction Project of Hot Rolling Area for Industrial Upgrading of HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company (河鋼產業升級 及宣鋼產能轉移項目熱軋區域 建築工程)	6.6	China MCC 20 Group Co., Ltd.
9	Renovation Project of Production Capacity Replacement and Upgrading of Ironmaking System of Shanxi Jinnan Steel Group Co., Ltd. – Jian'an Project (山西省晉南鋼鐵集團有 限公司產能置換升級改造煉鐵 系統工程-建安項目)	6.4	WISDRI Engineering & Research Incorporation Limited
10	Renovation Project of Production Capacity Replacement and Upgrading of Steelmaking System of Shanxi Jinnan Steel Group Co., Ltd. – Jian'an Project (山西省晉南鋼鐵集團有 限公司產能置換升級改造煉鐵 系統工程-建安項目)	6.1	WISDRI Engineering & Research Incorporation Limited

② Non-Steel Engineering Construction Business

Fundamental Construction

During the Reporting Period, the Company continued to enhance the design and operation of “macro environment, large-scale projects and major customers”. 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” cities, 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, the Company strengthened its ability to contract “high-tech, new, multi-functional and large-scale” projects, stepped up its efforts on market development in non-steel sectors such as municipal infrastructure, premium property construction, regional development, highways, rail transit and civil airports, and achieved remarkable results. With a number of newly-signed strategic agreements supported by projects, it steadily increased its project reserve and sustainability.

During the Reporting Period, the Company adhered to the road of high-tech and high-quality development, gave full play to the innovative advantages of the integration of scientific research and engineering, and accelerated the transplantation, transformation and continuous innovation of the technological advantages in the metallurgical field into fundamental construction and emerging industries. During the Reporting Period, the Company carried out the first cooperation with Foxconn Technology Group, successfully signed the 10.5th generation TFT-LCD display production line project of Foxconn Guangzhou SAKAI SIO. The project is the largest single industrial plant in the world, fully demonstrating the core competitiveness and branding advantages in the field of high tech industrial plants. The Lanzhou Yellow River Bridge project, undertaken for construction by China Second Metallurgical Group Corporation Limited, a subsidiary of the Company, has pioneered in science and technology with cutting-edge technologies, and overcome the technical difficulties of increase in construction, creating the longest span in the domestic flexible steel box girders.

During the Reporting Period, the Company, by closely following the national policy orientation, giving proactive reaction, showing full response and promptly making adjustment to its mindset and methods, continued to implement engineering projects under PPP model and seized the strategic opportunity to strengthen market development, expand its business scale, raise its new contractual amount, and drive its transformation and upgrade. As of the end of the Reporting Period, the Company entered into contracts for a total of 229 PPP projects, involving total investment of RMB473.284 billion. In terms of industry distribution, the PPP projects mainly included road, industrial park and its infrastructure construction, integrated pipeline corridor, shanty town transformation and public housing, public construction and ecological construction projects.

Leveraging on the comprehensive advantages of being the national team for metallurgical construction, the main force for fundamental construction, and the forerunner of the emerging industries, the Company has engaged in development and operation of projects overseas in relation to iron and steel construction, infrastructure and special engineering. Currently, the Company mainly adopts professional contracting, general construction contracting, engineering, procurement, and construction (EPC) general contracting, EPC+ preliminary planning and subsequent operation, EPC+F as well as other models in its overseas markets. The Company is seeking for playing a leading role in investment and financing through developing major overseas projects in the form of PPP model, appropriate capital investment and introduction of fund partners etc.

In line with “the Belt and Road” Initiative as the national strategy, the Company puts its focus on the layout and development of countries with undeveloped facilities but favorable market demand and promising future in the iron and steel industry and international production cooperation, including Pakistan, India, Bangladesh, Russia, Vietnam, Myanmar, Cambodia, Indonesia, Malaysia, Singapore, Sri Lanka, Kuwait, Saudi Arabia, Turkey, Egypt, Algeria, Brazil, Venezuela, Australia, etc. As of the end of the Reporting Period, the Company operates 133 overseas engineering institutions across 54 countries and regions worldwide, including 83 overseas institutions across 30 nations and regions along “the Belt and Road” route.

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

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
1	27 Projects including Sichuan Dongshan Avenue Construction Project and Erliqiao Road Construction Project (四川東山大道建設項目、二里橋路建設項目等27個項目)	58.0	China MCC 5 Group Co., Ltd.
2	General Contracting for PPP Project of Tourism Trunk Highway Construction and Operation during “Thirteenth Five-Year Plan” Period in Xiangxi Autonomous Prefecture, Hunan Province (PPP Project) (湖南省湘西州「十三五」旅遊幹線公路建設運營PPP項目施工總承包項目(PPP項目))	45.7	MCC TianGong Group Corporation Limited
3	Five Highway Projects including Xinjiang Mulabulakedaoban – Kazi – Tula Pasture in Xinjiang (PPP Project)(新疆木那布拉克道班-卡子-吐拉牧場等五個公路項目(PPP項目))	44.7	China MCC 19 Group Co., Ltd.
4	Projects of Wanzheng Family Phase II, Wanzheng Longmen Garden, Danjiang Dragon City A and B Zones and Wanzheng Grand Mansion in Zhoukou City, Henan Province (河南省周口萬政世家二期項目、萬正龍門苑項目、丹江龍城A區、B區項目、萬正大公館項目)	28.1	China Second Metallurgical Group Corporation Limited
5	Vocational Education Base of University City – Liquor Institute of Sichuan University of Science and Engineering Project (Phase II) in Yibin Lingang Economic and Technological Development Zone in Sichuan Province (四川省宜賓臨港經濟技術開發區大學城職業教育基地-四川理工學院白酒學院項目(二期))	23.1	China MCC 5 Group Co., Ltd.
6	2017 Heat Source Plant Expansion and Heat Supply Project of Liaoning Anshan Heating Supply Co., Ltd. (遼寧省鞍山市供熱有限公司2017年熱源廠擴建供熱項目)	23.0	MCC Capital Engineering & Research Incorporation Limited

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
7	PPP Project of Road Construction, Renovation and Upgrading in Lujiao Urban Area, Zhejiang Province (PPP Project) (浙江省路橋城區道路建設改造提升PPP項目(PPP項目))	21.6	Shanghai Baoye Group Corp., Ltd.
8	The Changxing Hengsheng Wyndham Grand Plaza Royale Project in Zhejiang Province (浙江省長興恒盛溫德姆至尊豪庭酒店項目)	21.2	China Second Metallurgical Group Corporation Limited
9	Project of Land Parcels 39-1 and 39-4 in Startup Area in Binjiang Business Area, Qingshan, Hubei Province (湖北省青山濱江商務區啟動區39-1、39-4地塊項目)	20.0	China First Metallurgical Group Co., Ltd.
10	Investment and Financing Construction Project for Chongqing Xiantao Data Valley Phase III (Section II) (重慶仙桃數據谷三期二標段投融資建設工程)	20.0	China First Metallurgical Group Co., Ltd.
11	Urban Shantytown Renovation and Transformation Housing Project of Chengtou Real Estate Development Co., Ltd. in Xifeng County, Guizhou (貴州息烽縣城投房地產開發有限公司城市棚戶區改造改造房源項目)	20.0	China MCC 17 Group Co., Ltd.
12	Section I of Construction Engineering of Third Ring Road Project (Area A) in Hohhot City (呼和浩特市三環路工程(A區域)施工一標段工程)	20.0	MCC TianGong Group Corporation Limited
13	Aerospace Expert Community Project in Luzhou City, Sichuan Province (四川省瀘州空天專家社區項目)	20.0	China MCC 5 Group Co., Ltd.

Emerging Industries

Keenly mastering the direction of future key development of the country, the Company has vigorously carried out the layout in integrated pipeline corridor, sponge city, beautiful countryside and smart city, theme parks, healthcare industry, water environment and assembly-type buildings, and established a group-level technology research institute to actively promote the development of 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 is able to provide consultation, planning, survey, design, construction, supervision and operating services, with professional comprehensive capability and overall strength in the whole process of the projects and entire industrial chain. During the Reporting Period, the Company won the bids for a total of 8 integrated pipeline corridor projects with a mileage of 76.6 km and total investment amounted to RMB9.44 billion.

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

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Urban Integrated Subterranean Pipeline Corridor Projects			
1	Phase I Construction Project of Integrated Subterranean Piping System in Xingyi City, Guizhou Province (貴州省興義市地下綜合管廊一期建設施工項目)	28.1	China 22MCC Group Co., Ltd.
2	Construction Project of Integrated Subterranean Piping System of West Extension of North Third Ring Road and Dongfeng Road in Baoding City, Hebei Province (PPP Project) (河北保定市北三環、東風路西延地下綜合管廊建設工程項目(PPP項目))	24.8	MCC TianGong Group Corporation Limited
3	Phase II General Contracting Project for Design, Procurement and Construction of Integrated Piping System in New Aerial Port City, Shenzhen, Guangdong Province (廣東省深圳市空港新城綜合管廊二期項目設計採購施工總承包項目)	24.1	China MCC 20 Group Co., Ltd.
4	Integrated Subterranean Piping System and Simultaneous Construction Engineering PPP Project in North Section of Cuicheng Road, Cuiheng New Area, Zhongshan City, Guangdong Province (PPP Project) (廣東省中山翠亨新區翠城道北段地下綜合管廊及同步建設工程PPP項目(PPP項目))	23.2	China MCC 19 Group Co., Ltd.
5	Engineering Project of Integrated Subterranean Piping System in Yantan Area, Lanzhou, Gansu Province (PPP Project) (甘肅省蘭州市雁灘片區地下綜合管廊工程項目(PPP項目))	14.0	China MCC 17 Group Co., Ltd.

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Theme Park Projects			
1	Indonesia MNC Theme Park Project (印尼MNC主題公園項目)	23.1	Central Research Institute of Building and Construction Co., Ltd.
2	Hengda Children's World Theme Park Construction Project in Kaifeng, Henan (河南開封恒大童世界主題樂園建設工程)	20.0	Shanghai Baoye Group Corp., Ltd.
3	Construction Project (EPC General Contracting) of Ceramic Culture Tourism City Project in Xiping County, Jiangxi Province (江西新平陶瓷文化旅遊城項目建設工程(EPC總承包)項目)	9.0	Huatian Engineering & Technology Corporation, MCC
4	Splendid Traditional Culture and Heritage Development and Demonstration Zone in Qufu, Shandong Province (Zoucheng City Core District) (山東曲阜優秀傳統文化傳承發展示範區(鄒城核心區)項目)	6.4	China Second Metallurgical Group Corporation Limited

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Water Environment Management Engineering Projects			
1	Flood Prevention and Ecological Restoration Project in Binjiang, Ezhou City, Hubei Province (湖北省鄂州市濱江防洪生態修復項目)	28.7	China First Metallurgical Group Co., Ltd.
2	Environment Comprehensive Renovation Project of Roads and Riverside along the Yangtse River in Fankou District (excluding Flood Control and Ecological Restoration Project of Binjiang River in Ezhou City) and Flood Control and Environmental Comprehensive Renovation Project of Binjiang River (Gucheng Road to Wuzhanggang Road) in Ezhou City, Hubei Province (PPP Project) (湖北鄂州樊口區域沿江路及江灘環境綜合整治工程(不含鄂州市濱江防洪生態修復項目)、濱江防洪及環境綜合整治工程(古城路—五丈港路)項目(PPP項目))	20.0	China First Metallurgical Group Co., Ltd.
3	Restoration Project in Qianhai Bay Area, Shenzhen (Design, Procurement and Construction General Contracting) (深圳前海灣片區正本清源工程(設計採購施工總承包))	10.2	MCC TianGong Group Corporation Limited
4	Project I for Comprehensive Renovation, Development and Utilization of Yongjiang in Guangxi Province (South Coast: Laokou Hub -Tuozhou Bridge; South Coast: Pumiao Bridge - Yongning Hub) (PPP Project) (廣西邕江綜合整治和開發利用工程(南岸:老口樞紐—托洲大橋、南岸:蒲廟大橋—邕寧樞紐) I (PPP項目))	6.9	China First Metallurgical Group Co., Ltd.
5	Renovation Project of Urban Sewage Interception and Drainage Pipe Network in Yangjiang City, Guangdong Province (PPP Project) (廣東陽江城區截污及排水管網改造工程項目(PPP項目))	6.9	China First Metallurgical Group Co., Ltd.
6	Engineering Project for Linkage of Waterways and Comprehensive Treatment of Beihai Economic Development Area in Binzhou, Shandong Province (PPP Project) (山東省濱州北海經濟開發區水系貫通及綜合治理工程項目(PPP項目))	5.5	MCC TianGong Group Corporation Limited

No.	Name of Project	Contractual Amount (RMB100 million)	Party to the Contract
Healthcare and Special Town Projects			
1	EPC General Contracting Project of Huanghe Financial Technology Small Town in Hancheng City, Shaanxi Province (陝西省韓城市黃河金融科技小鎮EPC總承包項目)	40.9	MCC Communication Construction Group Co., Ltd.
2	Construction Project for Demonstration Base of China International Elderly Service Industry (Ulanqab) (中國國際養老產業(烏蘭察布)示範基地建設項目)	28.5	China MCC 19 Group Co., Ltd.
3	Phase I Engineering Project of New District Hospital of Central Hospital in Zhoukou City, Henan Province (河南省周口市中心醫院新區醫院一期工程)	10.5	MCC TianGong Group Corporation Limited
Sponge City Projects			
1	Pilot Construction Project of Sponge City in Qingyang City, Gansu Province (PPP Project) (甘肅慶陽市海綿城市試點建設項目(PPP項目))	9.4	MCC TianGong Group Corporation Limited

2. *Property Development Business*

(1) *Industry Overview*

With regard to industry policies, the state has gradually pushed forward the long-standing property mechanism, and introduced a number of real estate control policies from the central to the local to stabilize expectations toward the housing market and ensure the long-term sound development of the property market. In the short to medium term, the government would continue to uphold the policy orientation of “housing for residential use, not for speculation” and stringently implement various control measures nationwide: financial monitoring would be reinforced, the principle of deleveraging would remain unchanged, and the industrial funding situation would be increasingly intense; the introduction of property tax and other long-standing mechanisms would be speeded up, and the reform for a balanced system of housing purchase and renting would be deepened; in the first half of 2018, a climax of control policies were seen in local governments that control policies for the housing market were introduced in around 30 cities, characterized by continued tightening of policies, enlarging scope of control and more streamlined control measures. Specific initiatives included adjustment to the “four limits” policy, regulation of market transactions, adjustment to settlement policy for talents and other various aspects.

With regard to supply and demand, both supply and demand are affected by control policies, resulting in constant decline in inventory level. With regard to property investment, during January to June 2018, the investments in property development increased by 1.2 percentage points to approximately RMB5,550 billion as compared to that of the corresponding period of the previous year, representing a year-on-year nominal increase of 9.7%; the areas of new construction increased by 1.2 percentage points to 958 million square meters as compared to that of the corresponding period of the previous year, representing a year-on-year increase of 11.8%. With regard to sale figures, during January to June 2018, the sales area of commercial housing in China increased to 771 million square meters, representing a year-on-year increase of 3.3%, of which the growth rate decreased by 12.8 percentage points as compared to that of the corresponding period of the previous year. The sales amount of commercial housing in China increased to RMB6,690 billion, representing a year-on-year increase of 13.2%, of which the growth rate decreased by 8.3 percentage points as compared to that of the corresponding period of the previous year. With regard to inventory level, as of the end of June 2018, the area of commercial housing pending for sale stood at 551 million square meters, representing a year-on-year decrease of 14.7%, among which, the area of residential buildings pending for sale was only 274 million square meters, representing a year-on-year decrease of 22.1%.

(2) The Operating Results of the Business

The property development business, as one of the primary businesses of MCC for core development, generally has stable income and profits in recent years. Quality of products was constantly enhanced with gradual improvement on brand impact. As the leader and flagship enterprise of MCC's property industry business, MCC Real Estate Group Co., Ltd. (the "MCC Real Estate"), a subsidiary of the Company, has kept track of steady development.

The Company enhanced its capabilities in product research and development, gradually established the product system and product standard of MCC Real Estate, and launched the product line of "Dexian Residence" ("德賢公館") for high-end residence, the product line of "Aristocratic Family" ("世家") for mid-end residence, and the product line of "Yun Villa" ("雲墅") for suburban low-density residence to improve product replication. In terms of commercial real estate, the Company strived to creating the product line of "Heyue" ("和悦"), a special commercial street mainly for leisure, entertainment and spending purposes.

In order to closely follow the national policy orientation on the property market and adapt to the national control policies for the property market, the Company adjusted its own corporate position for development by gradually shifting from a traditional property development enterprise to a urban integrated operator to give full play to the advantages of being a state-owned enterprise and integrate social resources, whilst integrating various kinds of industries for comprehensive urban development, and focusing on extending urban operation services. At present, the Chengde Xinglong project under vigorous promotion by the Company relies on the abundant local tourism and resort resources, in combination of medical, tourism, sports and fitness as well as other quality services as to create a new town featuring both leisure travelling and living.

Adhered to the orientation on market demand, with an aim to achieving "quality real estate" and "responsible real estate", MCC Real Estate will regard creation and innovation as driving forces, give impetus to improving quality and efficiency, spare no efforts in promoting reform and innovation, performing the responsibility for preservation and value-addition of state-owned assets and corporate social responsibility, and strive to achieving breakthrough in corporate development from a property developer to a urban developer and operator.

During the Reporting Period, the amount invested in property development by the Company was RMB12.764 billion, representing a year-on-year increase of 53.84%, with construction area of 10.7817 million square meters, representing a year-on-year increase of 10.40%; among which, new construction area accounted for 1.888 million square meters, representing a year-on-year increase of 120.26%; completed area accounted for 0.9022 million square meters, representing a year-on-year increase of 71.59%; contract sales area accounted for 0.4023 million square meters, with contract sales amount of RMB5.096 billion.

The overall operating results of the property development business in the first half of 2018

Unit: RMB'000

	First half of 2018	% of the total	First half of 2017	Year-on-year increase/decrease
Segment operating revenue	10,487,722	8.08%	10,144,056	3.39%
Gross margin (%)	29.52	-	24.53	Increased by 4.99 percentage points
	<u> </u>	<u> </u>	<u> </u>	<u> </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 **MCC Xinglong Xincheng • Hongshijun Project.** On 2 November 2017, MCC Real Estate won through bidding the land use rights for parcels located at Hongshili Village and Nantumen Village of Xinglong County at RMB1.291 billion. The project is located in Xinglong County, Chengde City, Hebei Province, which was elected as the "100 Best Counties for Summer Resort in China" and "100 Best Small Towns for Deep Breaths in China", with a total planning site area of 12,000 mu and total construction land of 3,000 mu. The planning site area, construction land area and floor area for phase I of the project will be 4,000 mu, 1,847 mu and 1.76 million square meters, respectively, with a planning plot ratio of 1.2. The project represents the transformation of MCC Real Estate from a single real estate developer to an urban integrated operator. The project will, with no doubt, become the work of the time after the strengthening of the MCC brand. At present, the major, internal and external structure of this project were under construction and renovation. The initial sale was launched on 23 June 2018 with good sales.

- ② Zhuhai Headquarter Building Phase II Project. In December 2010, Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. won through bidding the state-owned land use right for the parcel of project at approximately RMB800 million in cash. In 2015, MCC Real Estate acquired 31% equity interest in the project company through equity transfer, and is responsible for the later-stage development of the project. The project is located at Hengqin port in Hengqin Free Trade Area in Zhuhai City, which has superior geographical position being on the other side of the river from Macao. The project is planned to be a commercial and office complex, which is designed by Mr. Keith Griffiths, the founder partner of the world-renowned architecture practices Aedas. Taking “double dragons in pursuit of a pearl” as the design concept, the project is built to be a future landmark building in Hengqin and even Southern China. The pile foundation of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in mid-2019.

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” Initiative, 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 “Guidance Opinion 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 Segment 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 2018

Unit: RMB’000

	First half of 2018	% of the total	First half of 2017	Year-on-year increase/decrease
Segment operating revenue	3,262,958	2.51%	2,530,369	28.95%
Gross margin (%)	11.27	–	11.08	Increased by 0.19 percentage points
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Affected by the overcapacity in the domestic steel industry, the Company optimizes the allocation of business resources of equipment manufacturing. It will gradually withdraw from inefficient business with poor market prospects and low technical content, and enhance part of the existing equipment manufacturing capability which can be transformed for the support of core technologies while having sound market prospect. During the Reporting Period, the overall profitability of the Company’s equipment manufacturing segment was positive.

The Company will further strengthen its management and control efforts, continuously optimize the steel structure business and resource allocation of the Company, and give full play to the production capacity of the steel structure manufacturing business of the Company. With regional integration as a breakthrough, the Company will gradually promote the trial integration of steel structure regional resources, and continuously create the strengths in the integrated industry chain involving the research and development, design, manufacturing, installation, testing and maintenance of steel structure of the Company.

4. Resource Development Business

(1) Industry Overview

In the first half of 2018, the global economy continued to rebound steadily and showed a good situation in which various countries' economies grew in the same pace. Demand for raw materials in the market was also rising. International prices of major metal products continued to rise in fluctuation, while average prices of copper, zinc and nickel in the first half of the year increased as compared to the second half of the previous year.

In the first half of 2018, average nickel price on LME increased by around 25% to US\$13,880/tonne as compared to the average price in the second half of the previous year. According to market estimates, average nickel price on LME in the second half of 2018 decreased to around 6% to US\$13,100/tonne as compared to the average price in the first half of the year. The average copper price on LME increased by around 5% to US\$6,961/tonne as compared to the average price in the second half of the previous year. According to market estimates, average copper price on LME in the second half of 2018 would be US\$7,006/tonne, slightly higher than the average price in the first half of the year; average lead price on LME was US\$2,454/tonne, basically flat as compared to the average price in the second half of the previous year. According to market estimates, average lead price on LME in the second half of 2018 would decrease by around 2% to US\$2,400/tonne as compared to the average price in the first half of the year; average zinc price on LME increased by around 6% to US\$3,263/tonne as compared to the average price of the second half of the previous year. According to market estimates, average zinc price on LME in the second half of 2018 would decrease to around 4% to US\$3,125/tonne as compared to the average price in the first half of the year.

(2) The Operating Results of the Business

During the Reporting Period, adhered to the principle of “one policy for one mine, different policies according to characteristics of each category”, the mining business sector of the Company grasped the right rising cycle of the mining industry. Each of the manufacturing enterprises “bits the bullet and overcomes obstacles and difficulties”, and basically achieved the goal of “full production and complete sales, without pressure on inventory” for nickel, cobalt, copper, lead, zinc and other metal varieties. The mining sector has also thoroughly turned losses into profits.

The overall operating results of the resource development business in the first half of 2018

Unit: RMB'000

	First half of 2018	% of the total	First half of 2017	Year-on-year increase/decrease
Segment operating revenue	3,213,019	2.47%	2,506,503	28.19%
Gross margin (%)	36.98	–	28.60	Increased by 8.38 percentage points
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

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

① Ramu Nico Project

Following the entry into the phase of stable and high-yield production last year, the Ramu Project continued to insist on the principle of “high efficiency, fine quality, low consumption and compliance” for production and operation, strengthen safety and operation management, spared no effort and adopted every possible means to maintain stability of systems and constantly optimized a number of technical conditions and parameters of techniques to improve the level of equipment management and promote technological transformation, resulting in remarkable results in production performance. In the first half of 2018, the project produced nickel hydroxide, which contained 17,368 tonnes of nickel and 1,644 tonnes of cobalt, in aggregate, with an average production rate reaching 106.6%, representing an increase of 2.7 percentage points as compared to the corresponding period of the previous year. The accumulated operating revenue in the first half of the year increased by 75.3% to RMB1,722.75 million as compared to the corresponding period of the previous year.

Large scale repair work for 2 series of high pressure acid leaching was completed in the first half of 2018, laying a foundation extremely favorable for accomplishing the annual production targets. Preparation and argumentation of feasibility study were completed in relation to production expansion of Ramu, and exploration in related regions were currently undergoing to conduct verification and upgrade of resources.

② Pakistan Saindak Copper-Gold Mine Project

On 26 October 2017, under the witness of the Prime Minister of Pakistan, the Leasing Contract of Pakistan Saindak Copper-Gold Mine Project was signed, pursuant to which Saindak Project will enter the third lease term after successful extension of this lease term, with the term of operating lease being valid until 31 October 2022.

Saindak commenced normal production in the first half of 2018, and various indicators met the planned targets. With an increase in the amount of ore mining and an improvement in recovery rate of ore selection, the production volume of concentrate ore exceeded the planned targets. The overburden removal of north and slope expansion of south were both progressing in an orderly manner.

In the first half of 2018, the cumulative production of crude copper and sale of crude copper of the project were 6,656 tonnes and 5,409 tonnes respectively, and the cumulative operating revenue in the first half of the year amounted to US\$54.68 million, representing a decrease of 7.88% as compared to the corresponding period of the previous year.

③ Pakistan Duddar Lead-Zinc Mine Project

Duddar Lead-Zinc Mine Project in the first half of 2018 cumulatively produced 2,750 tonnes of lead concentrate ore and 19,963 tonnes of zinc concentrate ore, and cumulatively sold 2,596 tonnes of lead concentrate ore and 19,087 tonnes of zinc concentrate ore, and the cumulative operating revenue amounted to US\$28.34 million, representing an increase of 38.8% as compared to the corresponding period of the previous year. Income performance in January to June 2018 was ahead of the annual estimated schedule, with effective control of management fees and relatively satisfactory performance and outcome of cash flow.

Resumption of the lower system construction for Duddar Lead-Zinc Mine was accelerated, striving to reaching the production goal for 2020.

(II) Analysis on core competitiveness during the Reporting Period

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

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

III. FINANCIAL HIGHLIGHTS

The highlights of Company's financial position as at 30 June 2018 and the operating results as at six months ended 30 June 2018 are as follows:

(I) Overview

- Operating revenue amounted to RMB126,113 million, representing a year-on-year increase of RMB25,028 million or 24.76% from RMB101,085 million in the first half of 2017.
- Operating profit amounted to RMB4,910 million, representing a year-on-year increase of RMB106.6 million or 27.72% from RMB3,844 million in the first half of 2017.
- Net profit amounted to RMB3,499 million, representing a year-on-year increase of RMB581 million or 19.92% from RMB2,918 million in the first half of 2017.
- Net profit attributable to Shareholders of the Company amounted to RMB2,907 million, representing a year-on-year increase of RMB232 million or 8.69% from RMB2,675 million in the first half of 2017.
- Basic earnings per share amounted to RMB0.12, and the basic earnings per share in the first half of 2017 amounted to RMB0.11.
- As at 30 June 2018, total assets amounted to RMB441,236 million, representing an increase of RMB26,671 million or 6.43% from RMB414,565 million as at 31 December 2017.
- As at 30 June 2018, total Shareholders' equity amounted to RMB101,603 million, representing an increase of RMB4,283 million or 4.40% from RMB97,320 million as at 31 December 2017.
- Newly signed contracts amounted to RMB316,607 million, representing an increase of RMB18,828 million or 6.32% from RMB297,779 million in the first half of 2017.

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

(II) Operating revenue from principal business segments

1. Engineering Contracting Business

Operating revenue amounted to RMB111,238 million, representing an increase of RMB24,390 million or 28.08% from RMB86,848 million in the first half of 2017.

2. Property Development Business

Operating revenue amounted to RMB10,488 million, representing an increase of RMB344 million or 3.39% from RMB10,144 million in the first half of 2017.

3. *Equipment Manufacture Business*

Operating revenue amounted to RMB3,263 million, representing an increase of RMB733 million or 28.95% from RMB2,530 million in the first half of 2017.

4. *Resource Development Business*

Operating revenue amounted to RMB3,213 million, representing an increase of RMB706 million or 28.19% from RMB2,507 million in the first half of 2017.

5. *Other Businesses*

Operating revenue amounted to RMB1,666 million, representing an increase of RMB801 million or 92.67% from RMB865 million in the first half of 2017.

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

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 shows a short-term stability and sound development, and economic recovery process is accelerated. However, there will be more challenges in the mid-term, and various unstable and uncertain factors will be encountered in the future. In particular, the emergence of trade protectionism may hinder the progress of recovery of the world economy. Therefore, the basis for economic rebound is still fragile. The domestic economy enters into a stage of adjustment with stability and slow growth. China's economy has turned to a high-quality development stage from rapid growth stage, and is in a stage of overcoming major difficulties during which the developments are changed, economic structure is optimized and the growth momentum is switched, and over-capacity in iron and steel metallurgy, slowdown of rapid investment in infrastructure, standardization of the local government's debt management and strict risks control, etc., 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 has entered into the third stage of deep adjustment. Higher requirements have been set on the iron and steel industry in speeding up the building of a powerful manufacturing country and strengthening the prevention and treatment of environmental pollution. The recovery of the iron and steel industry has pushed the iron and steel industry to speed up the pace of environmental protection transformation, structural adjustment and transformation and upgrading. The major contradictions faced by the iron and steel industry have been converted to the incompatibility between industrial structure and market competitive demands and the incompatibility between the level of green development and demands for ecological environment. Enterprises are faced with new opportunities and challenges due to the unbalanced and uncertain industry development trend.

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

(III) Risks associated with the non-steel engineering segment

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

As “the main force for fundamental construction and the forerunner of the emerging industries”, the Company has actively responded to the risk of competition in the non-steel engineering markets with open mind and

advanced with time, and further adapted to the environmental changes. It has expanded the research and innovation of business models such as PPP model and constantly improved the design and operation of “macro environment, large-scale projects and major customers”. It devotes its efforts to developing the non-steel engineering markets such as premium property construction, highways, transport and municipal infrastructure, integrated subterranean piping systems, sponge city, smart city and beautiful countryside by relying on its traditional comparative advantages and core competitiveness in terms of technology, management and capital. It endeavors to build up an entire industrial chain capability for one-stop services, enhance its brand influence, vigorously expand and develop markets and continuously strengthen risk resistance capability, and has achieved remarkable success.

(IV) Risks associated with the property development business segment

The central government clearly stated its tightening regulation and control to property development by urging multiple cities to implement their core responsibilities and through intensive introduction of policies, such as property regulation and control policy, to continuously and actively suppress irrational demands, and focus on the expansion and implementation of “effective supply”. However, it took time for the interaction between the short-term demand-side regulation and control and the medium- and long-term supply-side reform to be effective. Therefore, the supply and demand in the market was still relatively intense. The transaction volume of new houses by area in key cities continued to shrink, with the first-tier cities leading the decline, and the transaction volume of new houses by area in third-tier and fourth-tier cities has also declined, but the absolute scale was still at a historically relatively high level. The ready-for-sale area of commercial houses continued to represent slight decline, but the structural risk of commercial property inventory still remained.

The year-on-year growth rate of land acquisition area fluctuated at a low level, and the transaction volume accounted for a large proportion in third-tier and fourth-tier cities. Second-tier, third-tier and fourth-tier cities have become hotspots for land acquisition of enterprises, and the transactions of high-prices lands have gradually shifted to second-tier, third-tier and fourth-tier cities as far as the transactions of high-prices lands in the first half of the year are concerned. Property enterprises are more cautious in acquiring lands in first-tier cities, causing relatively low growth rate of land transaction in first-tier cities.

In 2018, there may be no new changes in the regulation and control policies, while the restrictions on purchase, loans, price and sales will be implemented in more cities, which indicates that the “four restrictions” policy is not for temporary implementation, and is expected to remain in force for a longer period of time. The growth of the property industry will slow down in 2018 as compared to that in 2017, leading to the great possibility that the national transaction volume will decline from a high level. In third-tier and fourth-tier cities, demands will be weak and the overall inventory will remain at a high level, indicating a dim prospect for the property industry.

In order to keep up with the national guiding policies on the property market, and adapt to the national policies on regulating and controlling the property market, the Company has adjusted its positioning for development, conducts integrated urban development in combination of various industries, and has been committed to expanding urban operation services.

In terms of land expansion, while paying close attention to and participating in the open land transfer markets in first-tier and second-tier cities, the Company has, in active response to the national guidance to the construction of the “industrial small town”, expanded supporting resources in terms of education, medical care, business service, tourism, production and manufacturing, conducted cooperation with local governments in the form of “resources + properties” to jointly construct a new multi-functional industrial town that integrates industry, residence, leisure and entertainment.

(V) Risks associated with financial segment

International and domestic markets are facing more complex financial environment. Affected by the continuous rate hike and shrinking balance by the Federal Reserve, the global monetary policy is difficult to ease. A moderate and neutral monetary policy is maintained in the domestic market, with continuous deepening of the reform of the financial system and tightening financial supervision and management. Affected by the Sino-U.S. trade frictions, world economic trend, domestic and overseas monetary policies, etc., it becomes more difficult to predict the trend of exchange rate.

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

(VI) Risks associated with bulk commodity prices

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

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

(VII) Risks associated with international operations

The operating businesses of the Company in various countries and areas are subject to local factors such as changes in political situation, changes in state-to-state relations, economic environment, adjustments to policies, changes in regulations, cultural and religious conflicts and changes in local employment requirements, which may have certain risks to overseas business operations of the Company and may even lead to the suspension of contracts, failing to fulfill the construction on schedule or occurrence of claims or disputes. These will affect the revenue and profit expectations of the overseas business of the Company.

The Company will conduct in-depth study on and pay attention to the changes in policies, regulations and political and economic environment of the places where the projects are based and build a good cooperative relationship with local governments, property owners, consultation companies, the public and other partners; accelerate the localization process to improve the localization capability as a significant means to resist internationalization risks; consistently insist on assessment and risk examination of contracts on major overseas construction projects before tendering/signing and implementing a classified risk management mechanism during the process, strictly safeguard the bottom line of contractual risks, abide by external contract terms, and protect the Company's rights and interests with stringent contract provisions to reduce the international operating risks.

(VIII) Environmental and social risks

Following the increasingly strict requirements for environmental protection management and increase in intensity of pollution control, the government requires that enterprises shall attach great importance to ecological civilization and environmental protection. The subsidiaries of MCC are engaged in businesses including resource development, equipment manufacture, engineering and contracting as well as property development. Numerous subsidiaries and respective projects result in higher standard of requirements on environmental protection management for the enterprises. The Company actively puts into practice of the green development ideology that "Lucid Waters and Lush Mountains are Invaluable Assets", persists on the relevant national laws and regulations of energy conservation and environmental protection, implements accountability system on enterprise bodies, continuously improves the energy conservation and environmental protection system, enhances daily supervision, and proactively initiates environmental pollution control. Enterprises under the construction category, shall carry out in-depth environmental friendly construction, and push forward energy, land, water and resources conservation as well as environmental protection in full efforts; enterprises under the production category shall increase the utilization rate of the resources, reduce the emission of pollutants through technology innovation so as to enhance clean production.

(IX) Risks associated with data fraud or theft

During the Reporting Period, there were no data fraud and theft cases of MCC.

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

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

(X) Cyber risk and security

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

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

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	126,112,573	101,085,487	24.76
Operating costs	110,641,099	87,960,653	25.78
Selling expenses	830,485	839,359	-1.06
Administrative expenses	3,826,959	3,473,706	10.17
Financial expenses	1,472,739	1,596,597	-7.76
Net cash flows from operating activities	-8,106,592	-14,199,872	N/A
Net cash flows from investing activities	-6,359,825	-3,874,876	N/A
Net cash flows from financing activities	16,732,486	14,877,788	12.47
Research and development expenses	<u>2,384,020</u>	<u>2,086,866</u>	<u>14.24</u>

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

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

Explanation of change in selling expenses: Mainly due to decrease in advertising and sale service fees.

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

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

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

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

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

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

2. Analysis on revenue and costs

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

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

1) Trend of macro-economy internationally and domestically

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

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

The Company's engineering contracting, property development and equipment manufacture businesses were all influenced by the policies of the industry. In recent years, the adjustments to the business fields and the regional market strategies of the Company have been guided, to a certain extent, by the restructuring and upgrade of the steel and iron industry pushed forward by the PRC's implementation of Made in China 2025, a nation strengthening strategy focusing on manufacturing industries, and implementation of "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 and hence the Company's financial position.

Both items 1) and 2) above were the major risk factors that impacted the Company's performance for the first half of 2018.

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

① Impact from changes in the tax policy

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

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

② Impact of the fluctuation in exchange rate and monetary policy

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

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

4) Overseas tax policies and their changes

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

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

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

7) Operation of subsidiaries and key projects

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

9) Uneven distribution of revenue

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

(2) Major business by segment and region

1) Information of major business by segment

Unit: RMB'000

Information of major business by segment

Segment	Operating revenue	Operating costs	Gross Margin (%)	Increase or decrease in the operating revenue as compared to that for the same period of previous year (%)	Increase or decrease in the operating costs as compared to that for the same period of previous year (%)	Increase or decrease in the gross margin as compared to that for the same period of previous year
Engineering contracting	111,238,227	100,528,921	9.63	28.08	29.93	Decreased by 1.28 percentage point
Property development	10,487,722	7,392,194	29.52	3.39	-3.45	Increased by 4.99 percentage point
Equipment manufacture	3,262,958	2,895,060	11.27	28.95	28.67	Increased by 0.19 percentage point
Resource development	3,213,019	2,024,821	36.98	28.19	13.15	Increased by 8.38 percentage point

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

① Engineering contracting business

Engineering contracting business is the traditional core business of the Company which is mainly carried out by way of EPC contract and general financing and construction contracting contract, and is currently the major source of income and profits of the Company. The gross profit margins of the engineering contracting business for the first half of 2018 and 2017 were 9.63% and 10.91%, respectively, with a year-on-year decrease of 1.28 percentage points. The decrease was mainly due to the competition environment of the market and the increase in materials and labour costs.

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

Unit: RMB'000

Items of revenue	In the first half of 2018		In the first half of 2017		In the first half of 2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Metallurgical engineering	26,233,380	23.58	21,156,717	24.36	24,342,464	29.81
Housing construction engineering	43,267,674	38.90	42,046,646	48.41	37,217,254	45.57
Transportation infrastructure	27,745,846	24.94	20,103,977	23.15	9,705,044	11.88

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

② Property development business

As at the first half of 2018 and 2017, the total gross profit margins of the Company's property development business were 29.52% and 24.53% respectively, with a year-on-year increase of 4.99 percentage points.

③ Equipment manufacture business

The Company's equipment manufacture business mainly included metallurgical equipment, steel structures and other metal products. As at the first half of 2018 and 2017, the gross profit margin of the Company's equipment manufacture business were 11.27% and 11.08%, respectively, representing an increase of 0.19 percentage points as compared with the same period last year.

④ Resource development business

The Company's resource development business included mining and processing. MCC Tongsin Resources Limited (MCCT) (中冶集團銅鋅有限公司) and MCC-JJJ Mining Development Company Limited (中冶金吉礦業開發有限公司) were mainly engaged in the mining business while China Silicon Co., Ltd. (洛陽中硅高科技有限公司), among others, the polysilicon manufacturing enterprise, was mainly engaged in the processing business. As at the first half of 2018 and 2017, the gross profit margin of the Company's resource development business were 36.98% and 28.60%, respectively, representing an increase of 8.38 percentage points as compared with the same period last year.

2) Explanation on Major Business by Region

For details, please refer to the section headed "Notes to the Consolidated Financial Statements" of this announcement.

(3) Table of analysis on costs

Unit: RMB'000

Situation by segment

Segment	Costs component	Amount for the current period	Proportion of the amount for the current period to the total costs (%)	Amount for the same period in the previous year	Proportion of the amount for the same period in the previous year to the total costs (%)	Percentage change in the amount for the current period as compared to that for the same period in the previous year (%)
Engineering contracting	Operating costs	100,528,921	87.94	77,369,756	86.20	29.93
Property development	Operating costs	7,392,194	6.47	7,655,959	8.53	-3.45
Equipment manufacture	Operating costs	2,895,060	2.53	2,250,011	2.51	28.67
Resource development	Operating costs	2,024,821	1.77	1,789,573	1.99	13.15

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

Description of other results in the analysis on costs

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

Unit: RMB'000

Segment	In the first half of 2018		In the first half of 2017		In the first half of 2016	
	Amount	Proportion (%)	Amount	Proportion (%)	Amount	Proportion (%)
Subcontracting expenses	48,729,406	48.47	43,946,764	56.80	39,126,201	53.60
Materials expenses	34,485,560	34.30	21,569,632	27.88	18,597,938	25.48
Labour costs	7,126,202	7.09	4,837,489	6.25	3,995,027	5.47
Machinery usage fees	1,908,568	1.90	1,255,193	1.62	1,168,867	1.60
Others	8,279,185	8.24	5,760,678	7.45	10,115,015	13.85
Total engineering costs	<u>100,528,921</u>	<u>100.00</u>	<u>77,369,756</u>	<u>100.00</u>	<u>73,003,048</u>	<u>100.00</u>

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

(4) Information of major customers and major suppliers

The sales of top five major customers amounted to RMB7,861,305 thousand, accounting for 6.23% of the total sales of the Reporting Period. No sales of top five major customers are derived from the sales to related parties.

Unit: RMB'000

Customer's name	Operating revenue	Proportion of the total operating revenue of the Group (%)
Unit 1	3,229,874	2.56
Unit 2	1,405,890	1.11
Unit 3	1,125,528	0.89
Unit 4	1,052,797	0.84
Unit 5	<u>1,047,216</u>	<u>0.83</u>
Total	<u>7,861,305</u>	<u>6.23</u>

The procurement of top five major suppliers amounted to RMB3,256,938 thousand, accounting for 2.94% of the total annual procurement of the Reporting Period; in particular, the procurement from related parties under the procurement of top five major suppliers amounted to RMB1,242,512 thousand, accounting for 1.12% of total annual procurement of the Reporting Period.

Unit: RMB'000

Supplier's name	Procurement for the current period	Proportion of the total operating cost of the Group (%)
Supplier 1	1,242,512	1.12
Supplier 2	1,043,740	0.94
Supplier 3	372,145	0.34
Supplier 4	311,366	0.28
Supplier 5	287,175	0.26
Total	<u>3,256,938</u>	<u>2.94</u>

3. Expenses

(1) Selling expenses

The Company's selling expenses mainly include employee compensation costs, travelling expenses, transportation expenses, advertising and sale services expenses. In the first half of 2018 and 2017, the Company's selling expenses were RMB830,485 thousand and RMB839,359 thousand respectively, representing a year-on-year decrease of 1.06%.

(2) Administrative expenses

The Company's administrative expenses mainly include employee compensation costs, depreciation expenses and office expenses. In the first half of 2018 and 2017, the Company's administrative expenses were RMB3,826,959 thousand and RMB3,473,706 thousand respectively, representing a year-on-year increase of 10.17%.

(3) Financial expenses

The Company's financial expenses include costs of borrowing, exchange gains or losses, bank charges, etc. incurred in operating business. In the first half of 2018 and 2017, the Company's financial expenses were RMB1,472,739 thousand and RMB1,596,597 thousand respectively, representing a year-on-year decrease of 7.76%.

4. Research and development expenditure

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

Unit: RMB'000

Research and development expenditure for the current period	2,384,020
Total research and development expenditure	2,384,020
Proportion of total research and development expenditure to operating income (%)	<u>1.89</u>

5. Cash flows

The cash flows of the Company are as follows:

Unit: RMB'000

Items	January to June 2018	January to June 2017
Net cash flows from operating activities	-8,106,592	-14,199,872
Net cash flows from investing activities	-6,359,825	-3,874,876
Net cash flows from financing activities	<u>16,732,486</u>	<u>14,877,788</u>

(1) Operating activities

In the first half of 2018 and 2017, the Company's net cash flows generated from operating activities amounted to RMB-8,106,592 thousand and RMB-14,199,872 thousand respectively. In the first half of 2018 and 2017, the cash inflow generated from operating activities mainly came from the cash receipts from the sale of goods and the rendering of service, accounting for 98.57% and 98.65% respectively with respect to the cash inflow generated from operating activities.

The Company's cash outflow generated from operating activities mainly consisted of cash payments for goods purchased and services received, cash payments to and on behalf of employees and payments of various types of taxes. In the first half of 2018 and 2017, the respective proportions of such cash outflow with respect to the cash outflow generated from operating activities accounted for 81.79%, 6.74%, 4.62% and 81.81%, 6.53%, 5.04% respectively.

(2) *Investing activities*

In the first half of 2018 and 2017, the Company's net cash flows generated from investing activities amounted to RMB-6,359,825 thousand and RMB-3,874,876 thousand respectively. The operating activities of the Company mainly came from engineering contracting and property development business.

The Company's cash inflow generated from investing activities mainly consisted of cash receipts from recovery of investments, investment income and disposal of assets. Cash outflow mainly included cash payments to acquire or construct fixed assets, intangible assets and other long-term assets and cash payments to acquire investments. In the first half of 2018 and 2017, such cash outflow accounted for 35.28%, 57.41% and 44.51%, 53.30% respectively with respect to the cash outflow generated from investing activities.

(3) *Financing activities*

In the first half of 2018 and 2017, the Company's net cash flows generated from financing activities amounted to RMB16,732,486 thousand and RMB14,877,788 thousand respectively. A large amount of net cash inflow from financing activities was mainly due to the higher amount of cash received from borrowings than that of cash paid for debt repayment for the Reporting Period.

The Company's cash inflow from financing activities mainly consisted of cash receipts from borrowings which accounted for 95.46% and 85.98% respectively of the cash inflow generated from financing activities for the first half of 2018 and 2017. The Company's cash outflow from financing activities mainly consisted of cash repayments of borrowings and cash payments for distribution of dividends, profits or settlement of interest expenses, accounting for 92.38% and 6.38%, and 92.73% and 6.90% respectively of the cash outflow from financing activities for the first half of 2018 and 2017.

(II) Analysis on assets and liabilities

1. Assets and liabilities

Unit: RMB'000

Items	Amount at the end of the current period	Proportion of the amount at the end of the current period with respect to the total assets (%)	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 (%)	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:	347,011,281	78.65	322,328,945	77.75	7.66
Cash and bank Balances	46,424,094	10.52	43,593,622	10.52	6.49
Bills receivable and accounts receivable	91,795,001	20.80	94,253,008	22.74	-2.61
Other receivables	51,196,045	11.60	41,399,402	9.99	23.66
Inventories	59,857,929	13.57	118,292,878	28.53	N/A
Contract assets	70,030,710	15.87	–	–	N/A
Non-current Assets:	94,225,022	21.35	92,236,229	22.25	2.16
Intangible assets	15,021,152	3.40	15,419,183	3.72	-2.58
Total Assets	441,236,303	100.00	414,565,174	100.00	6.43
Current Liabilities:	303,021,197	89.22	280,135,184	88.30	8.17
Short-term borrowings	54,142,869	15.94	39,425,855	12.43	37.33
Bills payable and accounts payable	138,440,148	40.76	139,831,143	44.08	-0.99
Receipts in advance	78,024	0.02	43,861,424	13.83	N/A
Contract liabilities	49,182,428	14.48	–	–	N/A
Non-current Liabilities:	36,611,720	10.78	37,109,509	11.70	-1.34
Long-term borrowings	21,524,176	6.34	23,470,743	7.40	-8.29
Total Liabilities	339,632,917	100.00	317,244,693	100.00	7.06

(1) Analysis on the structure of assets

Cash and bank balances

As at 30 June 2018 and 31 December 2017, the balances of cash and bank balances of the Company were RMB46,424,094 thousand and RMB43,593,622 thousand, respectively, representing a year-on-year increase of 6.49%, which was mainly attributable to an increase in bank deposits.

As at 30 June 2018 and 31 December 2017, the restricted cash and bank balances of the Company were RMB7,656,158 thousand and RMB7,129,488 thousand respectively, which accounted for 16.49% and 16.35% of the cash and bank balances, respectively. The restricted cash and bank balances mainly included the cash deposits of acceptance bill, statutory reserve, guarantee deposits, frozen deposits, etc.

Bills receivable and accounts receivable

As at 30 June 2018 and 31 December 2017, the Company's net bills receivable and accounts receivable were RMB91,795,001 thousand and RMB94,253,008 thousand respectively, representing a decrease of 2.61%. The Company always places great emphasis on the safety and completeness of bills receivable and accounts receivable and adopts strong measures to clear up debts, collect each of the receivables timely based on terms and schedules as agreed in the contracts. Provision for bad debts has been made to items with potential risks in collectability, but the efforts put to collect the bills receivable and accounts receivables will not be affected.

Other receivables

As at 30 June 2018 and 31 December 2017, the Company's net amount of other receivables were RMB51,196,045 thousand and RMB41,399,402 thousand respectively, mainly attributable to an increase in deposits and advance money for various projects by the Company.

Inventories

The inventories of the Company mainly consisted of property costs under development, completed properties held for sale, raw materials, work in process, finished goods, etc. The inventory of the Company reflected the characteristics of the engineering and contracting, property development, equipment manufacture and resource development businesses in which the Company was engaged. As at 30 June 2018, the Company's net inventories were RMB59,857,929 thousand. As at 31 December 2017, the Company's net inventories (including inventories in engineering construction work) were RMB118,292,878 thousand.

Contract assets

The contract assets are mainly related to engineering contracting service. As at 30 June 2018, the net contract assets of the Company were RMB70,030,710 thousand.

(2) Analysis on the structure of liabilities

Long-term and short-term borrowings

Long-term and short-term borrowings of the Company mainly consisted of credit loans, and pledge loans from commercial banks and other financial organizations. As at 30 June 2018 and 31 December 2017, the carrying amount of the Company's short-term borrowings were RMB54,142,869 thousand and RMB39,425,855 thousand respectively, with a year-on-year increase of 37.33%. As at 30 June 2018 and 31 December 2017, the carrying amount of the Company's long-term borrowings were RMB21,524,176 thousand and RMB23,470,743 thousand respectively, with a year-on-year decrease of 8.29%.

Bills payable and accounts payable

Bills payable and accounts payable mainly included such material costs payable to suppliers and engineering costs payable to subcontractors by the Company. As at 30 June 2018 and 31 December 2017, the Company's carrying value of bills payable and accounts payable were RMB138,440,148 thousand and RMB139,831,143 thousand respectively, accounting for 40.76% and 44.08% respectively with respect to total liabilities, and representing a year-on-year decrease of 0.99%.

Contract liabilities

The contract liabilities mainly included engineering contracting service contracts, sales contracts and related contract liabilities. As at 30 June 2018, the carrying amount of the Company's contract liabilities was RMB49,182,428 thousand.

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

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

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (<i>Unit</i>)	1,220	387	1,786	492	3,885
Total amount	<u>3,016,255</u>	<u>3,033,841</u>	<u>8,556,644</u>	<u>833,765</u>	<u>15,440,505</u>

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (<i>Unit</i>)	3,835	50	3,885
Total amount	<u>14,958,039</u>	<u>482,466</u>	<u>15,440,505</u>

2. Projects under construction during the Reporting Period

Unit: RMB'000

Sub-segment	Housing construction	Infrastructure construction	Professional engineering	Others	Total
Number of projects (Unit)	3,577	3,359	3,567	1,756	12,259
Total amount	<u>41,083,997</u>	<u>26,172,744</u>	<u>18,066,809</u>	<u>13,545,583</u>	<u>98,869,133</u>

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (Unit)	11,327	932	12,259
Total amount	<u>89,800,598</u>	<u>9,068,535</u>	<u>98,869,133</u>

3. Overseas projects during the Reporting Period

Unit: RMB'000

Project location	Number of projects (Unit)	Total amount
Asia	707	7,712,678
Africa	123	680,532
South America	57	575,648
Europe	60	359,179
Oceania	33	277,601
North America	15	22,897
Total	<u>995</u>	<u>9,628,535</u>

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

4. Summary of contract assets

Unit: RMB'000

Project	Accumulated costs incurred	Accumulated recognized gross profit	Estimated loss	Accumulated settlements	Balance of contract assets
Amount	<u>806,649,324</u>	<u>62,979,206</u>	<u>1,803,490</u>	<u>797,794,330</u>	<u>70,030,710</u>

5. *Financing arrangements of the Company*

(1) *Debt financing and financing by other equity instruments of the Company*

At the end of the Reporting Period, the balance of debt financing and financing by other equity instruments of the Company amounted to RMB127.142 billion, representing a year-on-year increase of 19.73% as compared to the beginning of the period, which better satisfied the capital needs for enterprise development and industrial structure adjustment. Among these, the balances of debt financing and financing by other equity instruments amounted to RMB105.962 billion and RMB21.180 billion, respectively, which contributed to the further optimization of financing structure; the balance of financing due within one year and the long-term financing balance amounted to RMB75.981 billion and RMB29.981 billion, respectively.

In May 2018, the Company issued off-shore perpetual bonds in the amount of US\$500 million. It was the first time that MCC issued off-shore perpetual bonds as the bond guarantor. For other details in relation to the public issuance of bonds on the Shanghai Stock Exchange, please refer to the section headed “Relevant Information on Corporate Bonds” of this announcement.

(2) *Equity Financing During the Reporting Period*

There was no new equity financing during the Reporting Period.

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

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd., MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) jointly established Yingtan MCC-CIF Industrial Development Partnership (LP) on 22 December 2017. The total subscribed contribution is RMB18,000.16 million in cash, among which the subscribed contribution of MCC, being a limited partner, is RMB8,800 million or 48.8885%; the subscribed contribution of China Credit Trust Co., Ltd., being a limited partner, is RMB9,200 million or 51.1107%; MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) are general and executive partners and their subscribed contributions are RMB80 thousand or 0.0004%, respectively.

During the Reporting Period, the Company made an actual contribution of RMB81.928 million to Yingtan MCC-CIF Industrial Development Partnership (LP) for the investment in the PPP project of construction of the infrastructure facilities and supporting engineering in Leshan National Hi-tech Industrial Development Zone.

7. *Establishment of MCC-CCB Jinxiu Investment Management Partnership (LP)*

On 29 March 2018, the Board of MCC resolved to approve the resolution in respect of the proposed establishment of MCC-CCB Jinxiu Investment Management Partnership (LP) entered into among MCC Real Estate Group Co., Ltd., MCC International Investment Development Co., Ltd. and CCB Trust Co., Ltd. As of 30 June 2018, the Partnership was yet to be established, and the cooperation matters are still in progress.

(IV) Investment analysis

1. *Overall analysis on external equity investments*

As at 30 June 2018 and 31 December 2017, the net long-term equity investments of the Company were RMB11,001,841 thousand and RMB8,916,066 thousand respectively, representing a year-on-year increase of 23.39%, which was mainly due to the increase in external equity investments by the Company.

2. *Financial assets measured at fair value*

(1) *Held-for-trading financial assets*

Unit: RMB'000

Items	30 June 2018
Categorized as financial assets at fair value through profit or loss	1,857,671
Including : Currency funds	1,856,416
Trading equity instruments investment	1,255
Total	<u>1,857,671</u>

The fair value of held-for-trading financial assets was recognized according to the price on the last trading day in the public market.

(2) *Investment in other equity instruments*

Investment in other equity instruments

Unit: RMB'000

Items	30 June 2018 The carrying amount	Cash dividends in the period
Tangshan Stainless steel Co., Ltd. (唐山不銹鋼有限責任公司)	645,000	–
Chongqing Qianxin International Trade Co., Ltd. (重慶千信國際貿易有限公司)	300,000	4,395
Bank of Communications Co., Ltd. (交通銀行股份有限公司)	243,596	–
Chongqing Iron and Steel Co., Ltd. (重慶鋼鐵股份有限公司)	116,842	–
Kaidi Ecological and Environmental Technology Co., Ltd. (凱迪生態環境科技股份有限公司)	100,588	–
Others	502,748	838
Total	<u>1,908,774</u>	<u>5,233</u>

During January to June 2018, the Group derecognized part of the investment in other equity instruments, and the cumulative loss of these investments included in other comprehensive income in the previous period (accounting for RMB11,515 thousand) were transferred to retained profit from other comprehensive income.

(3) *Other non-current financing assets*

Unit: RMB'000

Items	30 June 2018 The carrying amount
Categorized as financial assets at fair value through profit or loss	2,810,609
Including : Investment in private funds	<u>2,810,609</u>
Total	<u>2,810,609</u>

The fair value of investment in private funds was based on the average yield rate of similar products of the same term and recognized by discounted cash flow method.

VI. CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS

CONSOLIDATED BALANCE SHEET FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Current Assets:		
Cash and bank balances	46,424,094	43,593,622
Financial assets at fair value through profit or loss	--	151,451
Financial assets held for trading	1,857,671	--
Bills and accounts receivable	91,795,001	94,253,008
Prepayments	19,629,670	19,230,005
Other receivables	51,196,045	41,399,402
Inventories	59,857,929	118,292,878
Contract assets	70,030,710	--
Non-current assets due within one year	2,042,772	2,171,927
Other current assets	4,177,389	3,236,652
Total Current Assets	347,011,281	322,328,945
Non-current Assets:		
Available-for-sale financial assets	--	4,410,495
Long-term receivables	21,433,286	23,541,178
Long-term equity investments	11,001,841	8,916,066
Investments in other equity instruments	1,908,774	--
Other non-current financial assets	2,810,609	--
Investment properties	5,929,101	3,386,116
Fixed assets	27,638,996	28,603,498
Construction in progress	3,178,520	2,891,030
Intangible assets	15,021,152	15,419,183
Goodwill	163,354	164,282
Long-term prepaid expenses	274,011	296,022
Deferred tax assets	4,837,322	4,585,699
Other non-current assets	28,056	22,660
Total Non-current Assets	94,225,022	92,236,229
TOTAL ASSETS	441,236,303	414,565,174

CONSOLIDATED BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Current Liabilities:		
Short-term borrowings	54,142,869	39,425,855
Bills and accounts payable	138,440,148	139,831,143
Receipts in advance	78,024	43,861,424
Contract liabilities	49,182,428	--
Employee benefits payable	2,135,207	1,974,696
Taxes payable	2,678,465	3,428,721
Other payables	27,157,522	26,832,037
Non-current liabilities due within one year	22,220,241	18,423,908
Other current liabilities	6,986,293	6,357,400
Total Current Liabilities	303,021,197	280,135,184
Non-current Liabilities:		
Long-term borrowings	21,524,176	23,470,743
Bonds payable	8,262,344	7,086,675
Long-term payables	1,183,035	1,271,398
Long-term employee benefits payable	3,595,394	3,554,213
Provisions	647,303	270,472
Deferred income	1,226,235	1,271,973
Deferred tax liabilities	173,233	184,035
Total Non-current Liabilities	36,611,720	37,109,509
TOTAL LIABILITIES	339,632,917	317,244,693
Shareholders' Equity:		
Share capital	20,723,619	20,723,619
Other equity instruments	17,884,240	17,884,240
Including: Perpetual bond	17,884,240	17,884,240
Capital reserve	22,527,670	22,527,667
Other comprehensive income	(242,154)	5,218
Special reserve	12,550	12,550
Surplus reserve	1,338,615	1,338,615
Retained earnings	20,897,284	20,007,920
Total shareholders' equity attributable to shareholders of the Company	83,141,824	82,499,829
Non-controlling interests	18,461,562	14,820,652
TOTAL SHAREHOLDERS' EQUITY	101,603,386	97,320,481
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	441,236,303	414,565,174

THE COMPANY'S BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Current Assets:		
Cash and bank balances	2,742,803	4,658,892
Bills and accounts receivable	810,216	588,374
Prepayments	572,637	234,413
Other receivables	36,042,702	29,402,072
Inventories	1,009	421,130
Contract assets	397,584	--
Non-current assets due within one year	1,277,037	1,277,037
Other current assets	23	44
Total Current Assets	41,844,011	36,581,962
Non-current Assets:		
Available-for-sale financial assets	--	231
Investments in other equity instruments	231	--
Long-term receivables	4,191,977	4,150,983
Long-term equity investments	86,549,325	85,841,681
Fixed assets	13,758	13,005
Intangible assets	9,021	10,113
Total Non-current Assets	90,764,312	90,016,013
TOTAL ASSETS	132,608,323	126,597,975

THE COMPANY'S BALANCE SHEET
FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Current Liabilities:		
Short-term borrowings	25,621,617	20,310,515
Bills and accounts payable	1,108,191	865,246
Receipts in advance	–	948,899
Contract liabilities	1,168,366	--
Employee benefits payable	11,827	10,753
Taxes payable	46,291	58,010
Other payables	13,733,546	14,604,588
Non-current liabilities due within one year	6,652,639	5,997,291
Total Current Liabilities	48,342,477	42,795,302
Non-current Liabilities:		
Long-term borrowings	2,900,000	1,250,000
Bonds payable	1,660,000	570,000
Long-term payables	300,000	378,980
Long-term employee benefits payable	18,409	18,366
Deferred income	4,411	4,411
Total Non-current Liabilities	4,882,820	2,221,757
TOTAL LIABILITIES	53,225,297	45,017,059
Shareholders' Equity:		
Share capital	20,723,619	20,723,619
Other equity instruments	17,884,240	17,884,240
Including: Perpetual bond	17,884,240	17,884,240
Capital reserve	38,041,092	38,041,092
Other comprehensive income	78	718
Special reserve	12,550	12,550
Surplus reserve	1,338,615	1,338,615
Retained earnings	1,382,832	3,580,082
TOTAL SHAREHOLDERS' EQUITY	79,383,026	81,580,916
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	132,608,323	126,597,975

VII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I Total operating revenue	126,112,573	101,085,487
Including: Operating revenue	<u>126,112,573</u>	<u>101,085,487</u>
II Total operating costs	121,419,603	97,351,110
Including: Operating costs	110,641,099	87,960,653
Taxes and levies	1,190,698	963,708
Selling expenses	830,485	839,359
Administrative expenses	3,826,959	3,473,706
Research & Development expenses	1,447,867	1,155,698
Financial expenses	1,472,739	1,596,597
Including: Interest expenses	1,961,503	1,680,004
Interest income	1,009,496	407,941
Impairment losses of assets	970,746	1,361,389
Impairment losses of credit	1,039,010	--
Add: Other incomes	72,940	51,769
Investment income	98,723	11,298
Including: Losses from investments in associates and joint ventures	(36,310)	(70,135)
Gains from changes in fair values	8,189	10,680
Gains from disposal of assets	<u>36,944</u>	<u>36,011</u>
III Operating profit	4,909,766	3,844,135
Add: Non-operating income	203,788	208,554
Less: Non-operating expenses	<u>449,906</u>	<u>78,477</u>
IV Total profit	4,663,648	3,974,212
Less: Income tax expenses	<u>1,164,680</u>	<u>1,056,357</u>
V Net profit	3,498,968	2,917,855
(I) Categorized by the nature of continuing operation		
Nets profits from continuing operations	3,498,968	2,917,855
Nets profits from discontinued operations	--	--
(II) Categorized by ownership:		
Profit or loss attributable to non-controlling interests	591,771	243,179
Net profit attributable to shareholders of the Company	<u>2,907,197</u>	<u>2,674,676</u>

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
VI Other comprehensive income, net of income tax	(171,555)	63,413
Other comprehensive income attributable to shareholders of the Company, net of income tax	(163,855)	81,146
(I) Items that will not be reclassified subsequently to profit or loss	(203,907)	141,156
1. Re-measurement of defined benefit obligations	(120,171)	141,156
2. Changes in fair values of investments in other equity instruments	(83,736)	--
(II) Items that may be reclassified subsequently to profit or loss	40,052	(60,010)
1. Share of the investee's other comprehensive income that can be subsequently reclassified to profit or loss under the equity method	20	(104)
2. Net (loss) gain on revaluation of available-for-sale financial assets	--	(7,010)
3. Exchange differences on translating foreign operations	40,032	(52,896)
Other comprehensive income attributable to non-controlling interests, net of income tax	(7,700)	(17,733)
VII Total comprehensive income	3,327,413	2,981,268
Total comprehensive income attributable to shareholders of the Company	2,743,342	2,755,822
Total comprehensive income attributable to non-controlling interests	584,071	225,446
VIII Earnings per share		
(I) Basic earnings per share (RMB/share)	0.12	0.11
(II) Diluted earnings per share (RMB/ share)	Not applicable	Not applicable

THE COMPANY'S INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I Operating revenue	2,074,739	1,713,403
Less: Operating costs	1,976,167	1,587,102
Taxes and levies	1,557	4,950
Administrative expenses	72,750	76,251
Financial expenses	347,885	208,589
Including: Interest expenses	832,852	842,192
Interest income	744,577	624,300
Impairment losses of assets	–	(23,370)
Impairment losses of credit	1,158	--
Add: Investment income	(3,094)	500,800
Including: Gain (Losses) from investments in associates and joint ventures	(3,094)	800
Gains from disposal of assets	2	–
II Operating profit	(327,870)	360,681
Add: Non-operating income	6	1,445
Less: Non-operating expenses	22	518
III Total profit	(327,886)	361,608
Less: Income tax expenses	6,272	3,696
IV Net profit	(334,158)	357,912
Net profit from continuing operations	(334,158)	357,912
Net profit from discontinued operations	–	–
V Other comprehensive income, net of income tax	(640)	732
(I) Items that will not be reclassified subsequently to profit or loss	(640)	732
1. Re-measurement of defined benefit obligations	(640)	732
VI Total comprehensive income	(334,798)	358,644

VIII. CONSOLIDATED AND THE COMPANY'S CASH FLOW STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

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	127,628,770	106,678,318
Receipts of tax refunds	491,011	160,017
Other cash receipts relating to operating activities	1,362,746	1,296,491
Sub-total of cash inflows from operating activities	<u>129,482,527</u>	<u>108,134,826</u>
Cash payments for goods purchased and services received	112,538,657	100,079,993
Cash payments to and on behalf of employees	9,270,649	7,987,873
Payments of various types of taxes	6,363,212	6,166,450
Other cash payments relating to operating activities	9,416,601	8,100,382
Sub-total of cash outflows from operating activities	<u>137,589,119</u>	<u>122,334,698</u>
Net Cash Flows from Operating Activities	<u>(8,106,592)</u>	<u>(14,199,872)</u>
II Cash Flows from Investing Activities		
Cash receipts from disposals and recovery of investments	37,507	—
Cash receipts from investment income	61,509	28,127
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	71,844	106,002
Net cash receipts from disposal of subsidiaries and other operating entities	41,452	—
Other cash receipts relating to investing activities	1,068,770	148,870
Sub-total of cash inflows from investing activities	<u>1,281,082</u>	<u>282,999</u>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	2,695,714	1,850,874
Cash payments to acquire investments	4,386,523	2,216,045
Other cash payments relating to investing activities	558,670	90,956
Sub-total of cash outflows from investing activities	<u>7,640,907</u>	<u>4,157,875</u>
Net Cash Flows from Investing Activities	<u>(6,359,825)</u>	<u>(3,874,876)</u>

CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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	3,299,355	6,866,147
Including: Cash receipts from capital contributions by non-controlling interests of subsidiaries	3,299,355	2,166,532
Cash receipts from issuing perpetual bond	–	4,699,615
Cash receipts from borrowings	69,391,175	49,078,747
Other cash receipts relating to financing activities	–	1,138,273
Sub-total of cash inflows from financing activities	72,690,530	57,083,167
Cash repayments of borrowings	51,691,916	39,135,209
Cash payments for distribution of dividends or profits or settlement of interest expenses	3,570,832	2,911,939
Including: Payments for distribution of dividends or profits to non-controlling interests of subsidiaries	171,010	119,491
Other cash payments relating to financing activities	695,296	158,231
Sub-total of cash outflows from financing activities	55,958,044	42,205,379
Net Cash Flows from Financing Activities	16,732,486	14,877,788
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	37,733	(94,660)
V Net Increase (Decrease) in Cash and Cash Equivalents	2,303,802	(3,291,620)
Add: Opening balance of Cash and Cash equivalents	36,464,134	38,711,911
VI Closing Balance of Cash and Cash Equivalents	38,767,936	35,420,291

THE COMPANY'S CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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	2,195,678	2,372,868
Receipts of tax refunds	–	1,442
Other cash receipts relating to operating activities	13,729	24,263
Sub-total of cash inflows from operating activities	2,209,407	2,398,573
Cash payments for goods purchased and services received	2,155,671	1,747,946
Cash payments to and on behalf of employees	40,175	48,394
Payments of various types of taxes	34,433	23,583
Other cash payments relating to operating activities	142,606	269,053
Sub-total of cash outflows from operating activities	2,372,885	2,088,976
Net Cash Flows from Operating Activities	(163,478)	309,597
II Cash Flows from Investing Activities:		
Cash receipts from investment income	268,514	1,887,277
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets	19	–
Other cash receipts relating to investing activities	6	508,892
Sub-total of cash inflows from investing activities	268,539	2,396,169
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	1,916	3,518
Cash payments to acquire investments	710,738	4,566,901
Other cash payments relating to investing activities	6,247,265	1,333,800
Sub-total of cash outflows from investing activities	6,959,919	5,904,219
Net Cash Flows from Investing Activities	(6,691,380)	(3,508,050)

THE COMPANY'S CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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	45,000,388	16,593,781
Other cash receipts relating to financing activities	–	196
Sub-total of cash inflows from financing activities	45,000,388	21,293,592
Cash repayments of borrowings	38,812,051	22,527,626
Cash payments for distribution of dividends or profits or settlement of interest expenses	1,245,880	967,597
Other cash payments relating to financing activities	98	–
Sub-total of cash outflows from financing activities	40,058,029	23,495,223
Net Cash Flows from Financing Activities	4,942,359	(2,201,631)
IV Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	(3,688)	(10,335)
V Net Decrease in Cash and Cash Equivalents	(1,916,187)	(5,410,419)
Add: Opening balance of Cash and Cash equivalents	4,648,065	7,692,102
VI Closing Balance of Cash and Cash Equivalents	2,731,878	2,281,683

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB '000

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB '000

For the six months ended 30 June 2017									
Items	Attributable to shareholders of the Company								Total shareholders' equity
	Share capital	Other equity instruments (Perpetual bond)	Capital reserve	Other comprehensive income	Special reserve	Surplus reserve	Retained profits	Non-controlling interests	
I Closing balance of the preceding period	20,723,619	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 owners	-	-	-	-	-	-	-	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. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	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

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

THE 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. Changing amount of defined benefit plan carried forward to retained earnings	-	-	-	-	-	-	-	-
5. Other comprehensive income carried forward to retained earnings	-	-	-	-	-	-	-	-
6. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Transfer to special reserve in the current period	-	-	-	-	-	-	-	-
2. Amount utilized in the current period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
IV Closing balance of the current period	<u>20,723,619</u>	<u>14,584,565</u>	<u>38,041,092</u>	<u>2,197</u>	<u>12,550</u>	<u>1,100,651</u>	<u>2,250,072</u>	<u>76,714,746</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. As of the date of issuance of these financial statements, changes of business registration have not yet been completed. The status of CMGC as controlling shareholder and the SASAC as the ultimate controlling shareholder of the Company remain unchanged before and after the Strategic Restructuring.

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

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

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

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 30 August 2018.

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, since 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 financial position as at 30 June 2018 and consolidated and the Company's operating results and cash flows for the six months 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. *Changes in Significant Accounting Policies*

1. *Effect of New Standards for Revenue on the Group*

The Group has adopted *the Accounting Standards of Business Enterprise No. 14 – Revenue* (hereinafter referred to as “New Standards for Revenue”, the standards for revenue before modification is to be referred to as “Former Standards for Revenue”) modified by the MoF in 2017 since 1 January 2018. The New Standards for Revenue have introduced the 5-step method for recognition and measurement of revenue and added more instructions on specific transactions (or events). The New Standards for Revenue require the entity to adjust the retained earnings at the beginning of initial adoption (i.e. 1 January 2018) of the new standards for the cumulative affected figures and amounts of other relative items in the financial statements, and not to adjust information in comparable period. At the adoption of New Standards for Revenue, the Group solely adjusts the cumulative affected figures in contract not yet been completed at the initial adoption date. For changes in contract incurred before the beginning of adoption of New Standards for Revenue, the Group will make simplified treatment, namely, the Group will identify the fulfilled and unfulfilled performance obligations, determine transaction price and allocate the transaction price between the fulfilled and unfulfilled performance obligations according to the final arrangement of contract changes.

The Group sometimes respectively signs several contracts including design, purchase and construction with customers to provide Engineering Procurement Construction service. Prior to the implementation of New Standards for Revenue, the Group respectively recognized revenues on the basis of individually signed contract; after the implementation of the new standards, because the commitments to transfer of goods or services to the customer in these contracts

constitute a stand-alone performance obligation, the Group shall combine these contracts into one contract and recognize revenue at fulfilling a stand-alone performance obligation. Prior to implementation of New Standards for Revenue, the Group recognized revenues on survey and design service contracts by using the percentage of completion; after the implementation of New Standards for Revenue, because the terms of some survey and design service contracts are not met the conditions which performance obligations satisfy during a period of time, the Group shall recognize revenue at a point in time when the customer obtains control over relevant goods or services.

2. *Effect of New Standards for Financial Instruments on the Group*

The Group pursuant to *the Accounting Standards for Business Enterprises No. 22 – Financial Instrument: Recognition and Measurement, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 – Hedging Accounting and Accounting Standards for Business Enterprises No. 37 – Financial Instrument: Presentation* (hereinafter referred to as “New Standards for Financial Instruments”, the standards for financial instrument before modification are referred to as “original standards for financial instrument”) modified by the MoF from 1 January 2018.

For classification and measurement of financial assets, the New Standards for Financial Instruments requires that the financial assets should be classified into three categories: “financial assets measured at amortized cost”, “financial assets at fair value through other comprehensive income (“FVTOCI”)” and “financial assets at fair value through profit or loss (“FVTPL”)” based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The original categories including loans and receivables, held-to-maturity investments and available-for-sale financial assets have been cancelled. Investments in equity instrument are generally categorized into financial assets at FVTPL. The enterprise is also allowed to designate the non-tradable equity instrument investments as financial assets measured at FVTOCI, but such designation is non-cancellable, and when the financial assets are derecognized, the cumulative amounts of changes in fair value previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in retained earnings

For impairment of financial assets, the New Standards for Financial Instruments on impairment are applicable to financial assets measured at amortized cost and at FVTOCI, lease receivables, accounts receivable, contract assets and the specific but not withdrawn loan commitment and financial guarantee contract. New Standards for Financial Instruments requires adoption of expected credit loss model to replace the original credit-impaired model. The new impairment model requires adoption of three-phase model, credit loss allowance is made based on expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have

been significantly increased since initial recognition. For the accounts receivable, contract assets and lease receivables, the Group shall use simplified method, which is allowed to recognize impairment allowance for the expected credit loss during the whole life.

If the recognition and measurement of financial instrument before 1 January 2018 is inconsistent with the New Standards for Financial Instruments, the Group will make connection and adjustment as required by the new standards. In case of inconsistency between the comparative figures in financial statements in prior period and requirements of the new standards, the Group will not make adjustment. The shortfall between the original carrying amount of the financial instrument and the new carrying amount at the adoption date of the new standards shall be recognized in retained earnings or other comprehensive income at 1 January 2018.

As at 1 January 2018, the effects of the Group's initial implementation of the New Standards for Revenue and financial instruments on its assets, liabilities and shareholders' equity are listed as below:

All amounts in RMB '000

Items	31 December 2017	Effects on implementation of New Standards for Revenue	Effects on implementation of New Standards for Financial Instruments	1 January 2018
Financial assets at fair value through profit or loss	151,451	–	(151,451)	–
Financial assets held for trading	–	–	151,451	151,451
Bills receivable and accounts receivable	94,253,008	(84,313)	–	94,168,695
Inventories	118,292,878	(63,794,950)	–	54,497,928
Contract assets	–	63,780,642	–	63,780,642
Held-for-sale financial assets	4,410,495	–	(4,410,495)	–
Other equity instrument investment	–	–	2,026,098	2,026,098
Other non-current financial assets	–	–	2,384,397	2,384,397
Total effect on assets	217,107,832	(98,621)	–	217,009,211
Receipts in advance	43,861,424	(43,804,433)	–	56,991
Contract liabilities	–	43,981,018	–	43,981,018
Taxes payable	3,428,721	(3,322)	–	3,425,399
Total effect on liabilities	47,290,145	173,263	–	47,463,408
Other comprehensive income	5,218	–	(95,032)	(89,814)
Retained profits	20,007,920	(238,258)	95,032	19,864,694
Non-controlling interests	14,820,652	(33,626)	–	14,787,026
Total effect on shareholders' equity	34,833,790	(271,884)	–	34,561,906

3. *Effects of the revised format of financial statements on the Group*

The financial statements have been prepared by the Group in accordance with the *Notice of the Revised Format of Financial Statements for General Business Enterprise in 2018* (Cai Kuai (2018) No. 15, hereinafter referred to as the “Cai Kuai No.15 Document”) released by the MoF on 15 June 2018.

Compared with the old format of financial statements, Cai Kuai No. 15 Document has the major changes as below, in addition to the above-mentioned effects on the items relating to revenue and financial instruments under the new standards.

- (1) In the Balance Sheet, the original items of “Bills receivable” and “Accounts receivable” are incorporated into the new item of “Bills receivable and accounts receivable”; the original items of “Interest receivable” and “Dividends receivable” are incorporated into “Other Receivables”; the original item of “Engineering materials” is incorporated into “Construction in progress”; the original items of Bills payable” and “Accounts payable” are incorporated into the new item of “Bills payable and accounts payable”; the original items of “Interest payable” and “Dividends payable” are incorporated into the item of “Other payables”; and the original item of “Special payable” is incorporated into “Long-term payables”.
- (2) In the Income Statement, the original item of “Administrative expenses” shall not cover the expensed expenditure incurred in the process of research and development, which is presented separately under the new item of “Research and development expenses”; line items “Including: Interest expenses and Interest income” are added to “Financial expenses”; the positions of the items “Other income”, “Investment income”, “Gains from changes in fair value” and “Income from disposal of assets” are adjusted; and the description of specific items within “Other comprehensive income” are simplified.

The Group has accounted for the changes in the items listed above retrospectively and made adjustments to the financial statements of comparable periods.

iv. Notes to Consolidated Financial Statements

1. Cash and bank balances

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Cash	25,844	21,757
Bank deposits	36,267,062	34,846,002
Other cash and bank balances	10,131,188	8,725,863
Total	<u>46,424,094</u>	<u>43,593,622</u>
Including: Total amount of deposits abroad	<u>2,328,619</u>	<u>3,068,056</u>

2. Bills and accounts receivable

(1) Presentation of bills and accounts receivable

All amounts in RMB'000

Item	30 June 2018	31 December 2017
Bills receivable	21,535,544	20,757,246
Accounts receivable	70,259,457	73,495,762
Total	<u>91,795,001</u>	<u>94,253,008</u>

(2) *Bills receivable analyzed by category*

All amounts in RMB'000

Item	30 June 2018	31 December 2017
Bank acceptance bills	11,255,142	10,442,605
Commercial acceptance bills	10,280,402	10,314,641
Total	21,535,544	20,757,246

(3) *Accounts receivable*

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	48,174,973	47,995,543
1 to 2 years	12,138,359	13,237,639
2 to 3 years	7,432,980	8,988,947
3 to 4 years	6,000,110	6,260,796
4 to 5 years	3,469,581	4,523,345
Over 5 years	6,818,673	5,695,711
Total book value	84,034,676	86,701,981
Less: provisions for bad debts	13,775,219	13,206,219
Carrying amount	70,259,457	73,495,762

3. *Prepayments*

All amounts in RMB'000

Aging	30 June 2018		31 December 2017	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	14,506,624	73.90	13,979,686	72.69
1 to 2 years	1,931,378	9.84	1,882,294	9.79
2 to 3 years	1,193,286	6.08	1,690,127	8.79
Over 3 years	1,998,382	10.18	1,677,898	8.73
Total	19,629,670	100.00	19,230,005	100.00

4. Other receivables

(1) Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	39,443,076	29,025,018
1 to 2 years	7,160,119	5,252,298
2 to 3 years	2,986,765	6,436,118
3 to 4 years	2,913,903	2,324,510
4 to 5 years	1,359,778	1,211,934
Over 5 years	1,676,218	1,241,085
Total book value	55,539,859	45,490,963
Less: provisions for bad debts	4,343,814	4,091,561
Carrying amount	51,196,045	41,399,402

(2) Other receivables categorized by nature

All amounts in RMB'000

Nature of other receivable	30 June 2018	31 December 2017
Guarantee deposits	26,183,359	21,056,030
Loan receivables from related parties and third parties	19,564,752	16,762,523
Advance to employees	449,000	392,759
Receivables on disposal of investments	3,221,200	3,680,585
Advance money and others	6,121,548	3,599,066
Total	55,539,859	45,490,963

5. Inventories

(1) Categories

All amounts in RMB'000

Items	30 June 2018			31 December 2017		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	2,852,741	54,285	2,798,456	2,721,005	54,582	2,666,423
Materials procurement	77,590	–	77,590	143,415	–	143,415
Outsourced processing materials	16,356	–	16,356	21,023	–	21,023
Work in progress	2,644,432	44,541	2,599,891	2,352,402	111,640	2,240,762
Finished goods	2,219,950	157,324	2,062,626	2,234,468	145,892	2,088,576
Other materials	573,122	8,231	564,891	562,548	8,231	554,317
Contract costs	36,227	–	36,227	--	--	--
Gross amount due from contract customers	--	--	--	65,571,822	1,753,829	63,817,993
Properties under development	42,342,890	107,838	42,235,052	36,134,641	111,106	36,023,535
Completed properties held for sale	9,868,316	401,476	9,466,840	10,976,740	239,906	10,736,834
Total	<u>60,631,624</u>	<u>773,695</u>	<u>59,857,929</u>	<u>120,718,064</u>	<u>2,425,186</u>	<u>118,292,878</u>

(2) Provision for impairment

All amounts in RMB'000

Items	31 December 2017		Adjustment due to changes in accounting policies	01 Jan 2018	Increase		Decrease		30 June 2018
	2017				Provision	Others	Reversals	Write-offs	
Raw materials	54,582	–	54,582	287	–	–	–	584	54,285
Work in progress	111,640	–	111,640	2,282	–	–	–	69,381	44,541
Finished goods	145,892	–	145,892	4,718	69,381	605	62,062	–	157,324
Other materials	8,231	–	8,231	–	–	–	–	–	8,231
Gross amount due from contract customers	1,753,829	(1,753,829)	–	–	–	–	–	–	–
Properties under development	111,106	–	111,106	–	–	3,268	–	–	107,838
Completed properties held for sale	239,906	–	239,906	207,725	–	288	45,867	–	401,476
Total	<u>2,425,186</u>	<u>(1,753,829)</u>	<u>671,357</u>	<u>215,012</u>	<u>69,381</u>	<u>4,161</u>	<u>108,513</u>	<u>69,381</u>	<u>773,695</u>

6. Contract Assets

(1) Presentation of contract assets

All amounts in RMB'000

Item	Book value	30 June 2018 Provision for impairment	Carrying amount
Contract assets relating to engineering contracting services	71,834,201	1,803,491	70,030,710
Total	71,834,201	1,803,491	70,030,710

(2) Provision for impairment of contract assets

All amounts in RMB'000

Item	31 December 2017	Adjustment due to changes in accounting policies	01 January 2018	Increase		Decrease			30 June 2018
				Provision	Others	Reversals	Write-offs	Others	
Provision for impairment of contract assets relating to engineering contracting services	-	1,753,829	1,753,829	50,073	75	-	486	-	1,803,491
Total	-	1,753,829	1,753,829	50,073	75	-	486	-	1,803,491

(3) Western Australia SINO Iron Mining Project

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

CITIC Group above and the estimated total construction costs of the project, the Group had recognized impairment loss on contract costs of USD481 million (equivalent to approximately RMB3.035 billion) for the year ended 31 December 2012.

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

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 30 June 2018.

On 30 June 2018, the contract assets of the project mentioned above amounted to RMB3,539,949,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

7. Long-term receivables

All amounts in RMB'000

Items	30 June 2018			31 December 2017			
	Book value	Provision for bad debts	Carrying amount	Book value	Provision for bad debts	Carrying amount	Range of discount rate
Receivables on project	18,903,632	969,150	17,934,482	15,847,773	959,733	14,888,040	
Loans to related parties and third parties	3,353,979	–	3,353,979	8,600,229	–	8,600,229	4.35%-4.90%
Receivables on disposal of equity investments	333,485	–	333,485	333,485	–	333,485	
Others	1,854,112	–	1,854,112	1,891,351	–	1,891,351	
Total	24,445,208	969,150	23,476,058	26,672,838	959,733	25,713,105	/
Including: Long term receivables due within one year	2,055,672	12,900	2,042,772	2,183,552	11,625	2,171,927	/
Long term receivables due over one year	22,389,536	956,250	21,433,286	24,489,286	948,108	23,541,178	/

8. Bills and accounts payable

(1) Presentation of bills and accounts payable

All amounts in RMB'000

Category	30 June 2018	31 December 2017
Bills payable	24,858,408	22,332,231
Accounts payable	113,581,740	117,498,912
Total	138,440,148	139,831,143

(2) Bills payable

All amounts in RMB'000

Category	30 June 2018	31 December 2017
Bank acceptance bills	22,889,673	20,709,890
Commercial acceptance bills	1,968,735	1,622,341
Total	24,858,408	22,332,231

(3) *Accounts payable*

(a) Presentation of accounts payable

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Project fees	76,676,739	81,184,153
Purchases	29,987,663	28,871,705
Design fees	238,615	303,329
Labor fees	5,492,347	5,693,111
Retention money	546,434	692,057
Others	639,942	754,557
Total	<u>113,581,740</u>	<u>117,498,912</u>

(b) Aging analysis of accounts payable

All amounts in RMB'000

Aging	30 June 2018	31 December 2017
Within 1 year	82,577,164	82,949,952
1 to 2 years	15,018,500	17,862,894
2 to 3 years	6,075,024	6,472,412
Over 3 years	9,911,052	10,213,654
Total	<u>113,581,740</u>	<u>117,498,912</u>

9. *Receipts in advance*

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Lease receipt in advance	78,024	56,991
Project fees	--	12,717,055
Sales proceeds	--	12,678,645
Design fees	--	997,831
Labor fees	--	86,051
Gross amounts due to contract customers	--	17,118,278
Others	--	206,573
Total	<u>78,024</u>	<u>43,861,424</u>

10. Contract liabilities

All amounts in RMB'000

Item	30 June 2018
Contract liabilities relating to engineering contracting service contracts	34,012,868
Contract liabilities relating to sales contracts	14,235,474
Contract liabilities relating to other customers' contracts	934,086
Total	49,182,428

11. Other payable

All amounts in RMB'000

Items	30 June 2018	31 December 2017
Guarantees and deposits payable	15,491,954	14,844,927
Rental payable	204,554	202,078
Utilities payable	169,856	207,114
Repair and maintenance payable	315,201	330,072
Payables for land use rights	24,780	29,852
Dividends payable	2,350,853	1,057,084
Interest payable	502,955	551,884
Others	8,097,369	9,609,026
Total	27,157,522	26,832,037

12. 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	125,663,129	110,403,471	100,732,539	87,711,614
Other business	449,444	237,628	352,948	249,039
Total	126,112,573	110,641,099	101,085,487	87,960,653

13. Taxes and levies

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
City construction and maintenance tax	143,058	139,706
Education surcharges	69,471	67,647
Land appreciation tax	575,108	328,341
Property tax	99,265	90,102
Land use tax	69,703	64,097
Stamp duty	69,041	67,569
Others	165,052	206,246
Total	1,190,698	963,708

14. Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	2,684	1,500
Employee compensation costs	358,864	312,704
Depreciation expenses	8,951	8,711
Travelling expenses	89,052	83,985
Office expenses	59,753	63,738
Transportation expenses	115,770	77,846
Advertising and sales service expenses	121,962	225,682
Others	73,449	65,193
Total	830,485	839,359

15. Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,410,905	2,175,544
Depreciation expenses	238,290	245,407
Travelling expenses	152,285	144,175
Office expenses	187,422	244,208
Lease rentals	67,318	32,612
Repairs and maintenance expenses	78,991	61,297
Amortization of intangible assets	85,135	91,556
Consulting expenses	112,271	81,659
Others	494,342	397,248
Total	<u>3,826,959</u>	<u>3,473,706</u>

16. Research & Development expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Direct input costs	679,899	529,307
Equipment debugging and experiment expenses	29,035	22,819
Employee compensation costs	655,692	501,884
Depreciation expenses	39,702	38,436
Amortization of intangible assets	6,808	7,492
Others	36,731	55,760
Total	<u>1,447,867</u>	<u>1,155,698</u>

17. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	2,799,300	2,650,806
Less: Capitalized interests	(837,797)	(970,802)
Less: Interest income	(1,009,496)	(407,941)
Exchange losses	210,785	122,180
Bank charges	151,210	123,904
Others	158,737	78,450
Total	<u>1,472,739</u>	<u>1,596,597</u>

18. 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
Including: Accounts receivable		
bad debts	--	392,273
Other receivables		
bad debts	--	192,894
Long-term		
receivables bad		
debts	--	460,285
2. Impairment of inventories	210,851	76,254
3. Impairment of long-term equity		
investments	146,170	64,890
4. Impairment of fixed assets	280,576	109,591
5. Impairment of construction in		
progress	137	2,211
6. Impairment of intangible assets	332,921	14,858
7. Impairment of goodwill	91	141
8. Others	—	(3,835)
Total	970,746	1,361,389

19. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current period
Bad debt loss on bills and accounts receivable	717,557
Impairment losses of contract assets	50,073
Bad debt loss on other receivables	263,580
Others	7,800
Total	1,039,010

20. 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	(51,073)	(70,135)
Investment income on disposal of subsidiaries and long-term equity investments	100,258	63,379
Investment income on disposal of trading securities	9,132	--
Investment income on disposal of financial assets at FVTPL	--	4,531
Investment income from holding other equity instrument investment	5,233	--
Investment income from holding other non- current financial assets	34,001	--
Investment income from holding available- for-sale financial assets	--	12,823
Others	1,172	700
Total	<u>98,723</u>	<u>11,298</u>

21. Non-operating income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Income from penalty	43,729	30,331	43,729
Gains on inventory taking	7	6	7
Government grants irrelevant to ordinary courses	48,204	124,040	48,204
Approved unpayable balances	31,580	2,410	31,580
Difference between combination costs and shares of the fair value of net realizable assets of the combined entity arising from business combination not involving enterprises under common control	1,455	--	1,455
Others	78,813	51,767	78,813
Total	<u>203,788</u>	<u>208,554</u>	<u>203,788</u>

22. *Non-operating expenses*

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period	Recognized in non-recurring profit or loss for the current period
Fines and surcharges for overdue payments	17,345	18,435	17,345
Compensation and default payments	16,430	44,194	16,430
The separation and hand- over cost of "Special payables for water/ power/gas supply and property"	394,463	—	394,463
Others	21,668	15,848	21,668
Total	<u>449,906</u>	<u>78,477</u>	<u>449,906</u>

23. *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	1,388,831	1,215,352
Deferred tax expenses	<u>(224,151)</u>	<u>(158,995)</u>
Total	<u>1,164,680</u>	<u>1,056,357</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	4,663,648	3,974,212
Income tax expenses calculated at the statutory tax rate (25%)	1,165,912	993,553
Effect of difference between applicable tax rate and statutory tax rate	(357,361)	(339,614)
Income not subject to tax	(111,449)	(68,533)
Expenses not deductible for tax purposes	70,592	101,703
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(277,122)	(145,271)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	676,222	539,831
Others	(2,114)	(25,312)
Income tax expenses	<u>1,164,680</u>	<u>1,056,357</u>

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.

24. 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	(133,654)	156,579
Less: Income tax effects on re- measurement of defined benefit obligations	(8,277)	10,401
Subtotal	(125,377)	146,178
2. Fair value change of other equity instrument investment	(114,754)	--
Less: Income tax effects arising from fair value change of other equity instrument investment	(24,426)	--
Subtotal	(90,328)	--
(II) Items that may be reclassified subsequently to profit or loss		
1. Share of the investee's other comprehensive income under equity method	26	(142)
Less: Effect of income tax incurred by share of the investee's other comprehensive income under equity method	--	--
Subtotal	26	(142)
2. Changes in fair value of available- for-sale financial assets	--	(8,995)
Less: Income tax effects on available-for-sale financial assets	--	(2,062)
Subtotal	--	(6,933)
3. Exchange differences on translating foreign operations	44,124	(75,690)
Total	(171,555)	63,413

v. Events after the Balance Sheet Date

As at the day of approval of the financial statement, the Group has no significant post balance sheet date events.

vi. Other Significant Items

1. Segment information

(1) Accounting policies of the segment

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

Operating segment is a component of the Group which satisfies 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 six months ended 30 June 2018 and as at 30 June 2018

Unit: RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	111,238,227	10,487,722	3,262,958	3,213,019	1,666,228	-	(3,755,581)	126,112,573
Including: Revenue from external customers	108,630,509	10,453,117	2,877,162	3,212,223	939,562	-	-	126,112,573
Revenue between segments	2,607,718	34,605	385,796	796	726,666	-	(3,755,581)	-
Operating costs	100,528,921	7,392,194	2,895,060	2,024,821	1,475,654	-	(3,675,551)	110,641,099
Including: External costs	97,868,955	7,357,494	2,640,840	2,024,821	748,989	-	-	110,641,099
Costs between segments	2,659,966	34,700	254,220	-	726,665	-	(3,675,551)	-
Operating profit/(loss)	2,454,789	1,855,416	14,710	498,230	235,415	(72,748)	(76,046)	4,909,766
Including: Interest income	410,598	360,298	13,438	6,832	494,194	-	(275,864)	1,009,496
Interest expense	1,167,007	412,717	59,497	234,340	363,806	-	(275,864)	1,961,503
Investment income/(loss) from associates and joint ventures	(56,495)	20,177	-	-	8	-	-	(36,310)
Non-operating income	147,108	23,558	8,503	23,474	1,145	-	-	203,788
Non-operating expenses	429,908	12,841	7,021	20	116	-	-	449,906
Total profit/(loss)	2,171,989	1,866,133	16,192	521,684	236,444	(72,748)	(76,046)	4,663,648
Income tax expenses	521,311	561,988	32,607	2,109	46,665	-	-	1,164,680
Net profit/(loss)	1,650,678	1,304,145	(16,415)	519,575	189,779	(72,748)	(76,046)	3,498,968
Assets	324,526,962	113,650,227	13,775,022	18,681,376	37,277,220	4,837,322	(71,511,826)	441,236,303
Including: Long-term equity investments in associates and joint ventures	10,158,063	833,056	-	66	10,656	-	-	11,001,841
Non-current assets	34,546,807	6,749,553	4,367,977	13,088,896	13,510,870	-	(9,029,072)	63,235,031
Liabilities	268,347,406	81,461,890	10,461,319	20,090,414	28,800,283	173,233	(69,701,628)	339,632,917
Depreciation and amortization expenses	870,406	42,969	149,275	384,445	60,999	-	-	1,508,094
Asset impairment losses and credit impairment losses	1,818,891	199,850	(15,255)	5,239	1,031	-	-	2,009,756
Increase in other non-current assets other than long-term equity investments	816,341	1,752,710	28,536	116,544	8,094	-	-	2,722,225

(b) Segment information for six months ended 30 June 2017 and as at 31 December 2017

Unit: 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	77,369,756	7,655,959	2,250,011	1,789,573	695,211	–	(1,799,857)	87,960,653
Including: External costs	76,114,672	7,615,580	2,139,694	1,782,288	308,419	–	–	87,960,653
Costs between segments	1,255,084	40,379	110,317	7,285	386,792	–	(1,799,857)	–
Operating profit/(loss)	2,462,120	1,447,868	(139,028)	(48,017)	203,228	(76,252)	(5,784)	3,844,135
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	118,284	42,253	31,947	4,328	11,742	–	–	208,554
Non-operating expenses	26,588	47,118	4,153	174	444	–	–	78,477
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	299,848,111	110,275,661	14,539,636	18,686,140	38,579,860	4,585,699	(71,949,933)	414,565,174
Including: Long-term equity investments in associates and joint ventures	8,091,504	813,849	–	65	10,648	–	–	8,916,066
Non-current assets	33,162,648	4,164,166	4,861,653	13,191,863	16,929,980	–	(12,611,453)	59,698,857
Liabilities	242,976,432	80,222,318	10,749,263	19,392,409	33,539,731	184,035	(69,819,495)	317,244,693
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

(3) Other notes

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

Unit: RMB'000

	January to June 2018	January to June 2017
Operating revenue		
China	115,009,056	90,395,580
Other countries/regions	11,103,517	10,689,907
Total	126,112,573	101,085,487

Unit: RMB'000

	30 June 2018	31 December 2017
Non-current assets		
China	51,900,880	48,176,290
Other countries/regions	11,334,151	11,522,567
Total	63,235,031	59,698,857

(b) The dependency on major customers

There is no external customer the revenue from whom counted over 10% of the operating revenue of the Group.

2. Earnings per share

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

Unit: RMB'000

	January to June 2018	January to June 2017
Net profit for the current period attributable to Shareholders of the Company	2,907,197	2,674,676
Including: Net profit from continuing operations	2,907,197	2,674,676
Less: Net profit belong to the perpetual bond holders	453,886	322,339
Net profit for the current period attributable to ordinary Shareholders	2,453,311	2,352,337

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

Unit: thousand shares

	January to June 2018	January to June 2017
Number of outstanding ordinary shares at 31 December 2017	20,723,619	20,723,619
Add: Weighted average number of ordinary shares issued during the period	–	–
Less: Weighted average number of ordinary shares repurchased during the period	–	–
Number of ordinary shares outstanding at 30 June 2018	<u>20,723,619</u>	<u>20,723,619</u>

- (3) *Earnings per share*

Unit: RMB'000

	January to June 2018	January to June 2017
Calculated based on net profit attributable to ordinary Shareholders:		
Basic earnings per share	0.12	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	0.12	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	<u>Not applicable</u>	<u>Not applicable</u>

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. CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

(I) Changes in shares

1. Table for changes in shares

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

On 8 January 2018, for the shares subscribed by the issue targets under the non-public issuance, the changes in such shares after its listing for trading are listed below:

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	1,613,619,170	7.79	0	0	0	-1,613,619,170	-1,613,619,170	0	0
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. Shares owned by state-owned legal person	24,762,154	0.12	0	0	0	-24,762,154	-24,762,154	0	0
3. Other domestically-owned shares	1,588,857,016	7.67	0	0	0	-1,588,857,016	-1,588,857,016	0	0
Including: shares held by domestic non-state-owned legal person	1,588,857,016	7.67	0	0	0	-1,588,857,016	-1,588,857,016	0	0
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	92.21	0	0	0	1,613,619,170	1,613,619,170	20,723,619,170	100
1. RMB-denominated ordinary shares	16,239,000,000	78.36	0	0	0	1,613,619,170	1,613,619,170	17,852,619,170	86.15
2. Domestically-listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas-listed foreign shares	2,871,000,000	13.85	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	<u>20,723,619,170</u>	<u>/</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,723,619,170</u>	<u>/</u>

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. The shares subscribed by the issue targets under the non-public issuance of the Company shall not be transferred within 12 months from the date of completion of the issuance, and were listed for trading on 8 January 2018 (As 6 January 2018 was a non-trading day, the listing date was postponed to the first trading day thereafter). The number of restricted shares listed for trading amounted to 1,613,619,170 shares.

(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)	524,286,787	524,286,787	0	0	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)	181,345,336	181,345,336	0	0	Non-public issuance	6 January 2018
Penghua Asset Management Co., Ltd. (鵬華資產管理有限公司)	161,580,310	161,580,310	0	0	Non-public issuance	6 January 2018
Lion Fund Management Co., Ltd. (諾安基金管理有限公司)	166,581,968	166,581,968	0	0	Non-public issuance	6 January 2018
CCB Principal Asset Management Co., Ltd. (建信基金管理有限責任公司)	173,901,450	173,901,450	0	0	Non-public issuance	6 January 2018
China Hongxin Securities Co., Ltd. (宏信證券有限責任公司)	161,404,041	161,404,041	0	0	Non-public issuance	6 January 2018
Huatai Asset Management Company Ltd. (華泰資產管理有限公司)	219,757,124	219,757,124	0	0	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)	24,762,154	24,762,154	0	0	Non-public issuance	6 January 2018
Total	1,613,619,170	1,613,619,170	0	0	/	/

(III) Particulars of Shareholders

Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period (*Person*) 426,421

Total number of Shareholders of preferred shares whose voting rights have been restored as at the end of the Reporting Period (*Person*) 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 the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged or frozen		Nature of Shareholder
					Status of Shares	Number	
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⁾	-745,000	2,841,737,000	13.71	0	Nil	0	Others
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	103,311,966	1,015,409,914	4.90	0	Nil	0	State-owned legal person
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	0	181,345,336	0.88	0	Nil	0	Others
Tianan Life Insurance Co., Ltd. – Traditional Products (天安人壽保險股份有限公司–傳統產品)	161,404,042	161,404,042	0.78	0	Nil	0	Others
Huatai Asset Management Company Ltd. – Strategic Investment Products (華泰資產管理有限公司–策略投資產品)	-62,556,123	122,664,084	0.59	0	Nil	0	Others
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	90,087,800	0.43	0	Nil	0	State-owned legal person
Zhang Jingchun (張景春)	80,790,155	80,790,155	0.39	0	Pledged	64,020,000	Domestic natural person
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)	-80,700,478	80,700,661	0.39	0	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)	-82,278,955	79,301,355	0.38	0	Nil	0	Others

Shareholding of top 10 Shareholders not subject to selling restrictions

Unit: Share

Name of Shareholder	Number of tradable shares held not subject to selling restrictions	Types and number of Shares	
		Types of shares	Number of shares
China Metallurgical Group Corporation (中國冶金科工集團有限公司)	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⁾	2,841,737,000	Overseas-listed foreign shares	2,841,737,000
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	1,015,409,914	RMB-denominated ordinary shares	1,015,409,914
Shenzhen Ping An Real Estate Investment Co., Ltd. (深圳市平安置業投資有限公司)	181,345,336	RMB-denominated ordinary shares	181,345,336
Tianan Life Insurance Co., Ltd. -Traditional Products (天安人壽保險股份有限公司-傳統產品)	161,404,042	RMB-denominated ordinary shares	161,404,042
Huatai Asset Management Company Ltd. – Strategic Investment Products (華泰資產管理有限公司-策略投資產品)	122,664,084	RMB-denominated ordinary shares	122,664,084
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	90,087,800	RMB-denominated ordinary shares	90,087,800
Zhang Jingchun (張景春)	80,790,155	RMB-denominated ordinary shares	80,790,155
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)	80,700,661	RMB-denominated ordinary shares	80,700,661
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)	79,301,355	RMB-denominated ordinary shares	79,301,355
Explanations on the connections or parties acting in concert among the aforesaid Shareholders	The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders		
Explanations on the Shareholders of preferred shares whose voting rights have been restored and the number of shares held	Not applicable		

Note (1): Figures in the table were extracted from the Company's register of Shareholders as at 30 June 2018.

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

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

Saved as disclosed in the section headed “Relevant Information on Corporate Bonds” in the announcement, neither the Company nor its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

XIV. RELEVANT INFORMATION ON CORPORATE BONDS

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

Unit: RMB00'000'000

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

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate (%)	Method to pay principal and interests	Stock exchange
2017 Renewable Corporate Bonds (Third Tranche)	17 MCC Y5	143902	10 July 2017 to 11 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (11 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	20	5.10	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	Shanghai Stock Exchange
2017 Renewable Corporate Bonds (Fourth Tranche)	17 MCC Y7	143907	27 July 2017 to 28 July 2017	Where the issuer opts to pay in full for bonds in a particular year of exercising renewal option under this issuance of this tranche of bonds, the value date (28 July) of such interest-bearing year shall be the payment date of this tranche of bonds (If it is a non-trading day, payment shall be made on the first following trading day, during which no additional interests shall be charged on such postponed period)	13	5.10	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year if the issuer does not exercise the right to postpone the payment of interests. At the end of each period, the issuer shall have the right to extend the term of this type of bonds for another period (i.e. another three years) or opt to pay in full such type of bonds upon expiry at the end of such period	Shanghai Stock Exchange
2017 Corporate Bonds (First Tranche) under the Public Issuance	17 MCC 01	144361	24 October 2017 to 25 October 2017	25 October 2022	5.7	4.99	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interests for the last tranche shall also be paid at the same time	Shanghai Stock Exchange

Name of bonds	Short name	Stock code	Issue date	Expiry date	Outstanding bonds	Interest rate and interests (%)	Method to pay principal and interests	Stock exchange
2018 Corporate Bonds (First Tranche) under the Public Issuance	18 MCC 01 18 MCC 02	143634 143635	7 May 2018 to 8 May 2018	8 May 2021 8 May 2023	8.7 2.2	4.78 4.98	This tranche of bonds shall bear interests on a yearly basis at single rate rather than compound rate and interests shall be paid each year. Upon expiry at the end of such period, the principal shall be repaid on one-off basis and the interests for the last tranche shall also be paid at the same time	Shanghai Stock Exchange

Payment of interest principal amount of corporate bonds

As of the date of publication of this announcement, the interests on 2017 Renewable Corporate Bonds (First Tranche) were paid on 1 March 2018, the interests on 2017 Renewable Corporate Bonds (Second Tranche) were paid on 13 March 2018, the interests on 2017 Renewable Corporate Bonds (Third Tranche) were paid on 11 July 2018, and the interests on 2017 Renewable Corporate Bonds (Fourth Tranche) were paid on 30 July 2018.

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

The value date of 2018 Corporate Bonds (First Tranche) under the Public Issuance was effective from 8 May 2018 and the initial date of interest payment is 8 May 2019 (where it is a non-trading day, payment shall be postponed to the following trading date, during which no additional interests shall be accrued on the interest payment).

Other Explanation on corporate bonds

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

XV. COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the Reporting Period, the Company continued to comply strictly with laws and regulations including the Company Law, the Securities Law, the relevant requirements of regulatory authorities such as the CSRC, as well as the relevant requirements of the SSE and the Hong Kong Stock Exchange, constantly standardized the corporate governance and optimized the corporate systems and mechanisms. The Company, the Board and its special committees, as well as the Supervisory Committee of the Company 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 for the code provisions E.1.2 and A.4.2 of the Corporate Governance Code. Pursuant to the code provision E.1.2 of the Corporate Governance Code, the chairman of the Board shall attend the annual general meeting. Mr. Guo Wenqing, the chairman of the Company, was not able to attend the 2017 annual general meeting due to business engagement. Pursuant to relevant requirements, Mr. Zhang Zhaoxiang, the Vice Chairman and an executive Director of the Company, as jointly elected by a majority of Directors of the Company, presided over the meeting. Pursuant to the code provision A.4.2, every director shall be subject to retirement by rotation at least once every three years. From November 2014 to November 2017, the term of the second session of the Board and the Supervisory Committee of the Company has exceeded 3 years. Pursuant to the provisions of the Articles of Association of the Company, prior to the establishment of the next session of the Board and the Supervisory Committee, the members of the current session of the Board and the Supervisory Committee shall continue to discharge their duties. The Company will submit the information relating to the nomination or re-election of proposed Director or Supervisor to the general meeting for consideration or approval in accordance with legal procedures when practicable.

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, all Directors and Supervisors of the Company confirmed that they themselves and their respective 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 2018.

XVIII. PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2018 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 2018 for inspection by the Shareholders of the Company.

XIX. DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"Company" or "MCC"	Metallurgical Corporation of China Ltd.*
"State Council"	the State Council of the People's Republic of China
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council
"CSRC"	the China Securities Regulatory Commission
"SSE"	the Shanghai Stock Exchange
"Shanghai Listing Rules" or "A Share Listing Rules"	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Listing Rules" or "H Share Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Controlling Shareholder" or "MCC Group"	China Metallurgical Group Corporation
"China Minmetals"	China Minmetals Corporation
"Shareholders' Meeting"	the Shareholders' meeting of Metallurgical Corporation of China Ltd.*
"Shareholder(s)"	holder(s) of share(s) of the Company
"Board"	the board of Directors of Metallurgical Corporation of China Ltd.*

“Director(s)”	the Director(s) of the Company, including all executive, non-executive and Independent Non-executive Directors
“Independent Director” or “Independent Non-executive Director”	a Director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company’s affairs
“Supervisory Committee”	the Supervisory Committee of Metallurgical Corporation of China Ltd.*
“Supervisor(s)”	the Supervisor(s) of the Company
“Articles of Association”	the articles of association of Metallurgical Corporation of China Ltd.*
“Reporting Period”	from 1 January 2018 to 30 June 2018
“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 Listing Rules of the Hong Kong Stock Exchange
“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
“Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“USD”	United States dollars, the lawful currency of the United States

“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 RMB.

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

Beijing, the PRC
30 August 2018

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*