

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

2019 INTERIM RESULTS ANNOUNCEMENT

OVERVIEW

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

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

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

I. CHAIRMAN’S STATEMENT

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

During the Reporting Period, the operating revenue amounted to RMB159.017 billion, representing a year-on-year growth of 26.09%. Total profit was RMB4.882 billion, increasing by 4.69% year-on-year, of which net profit attributable to Shareholders of the Company recorded RMB3.157 billion, increasing by 8.59% year-on-year; newly signed contracts amounted to RMB381.5 billion, representing a year-on-year increase of 20.49%. Quality of the contracts continued to improve, the newly signed individual contracts with value of more than 500 million reached RMB206.611 billion, accounting for 56.37% of all newly-signed projects. The Company has made new achievements in scientific and technological innovation, resulting in emerging in major innovation results. One national enterprise technology center has been approved and the number of science and technology platforms with national level has increased to 25; A total of 3,072 patent applications were filed in the first half of the year, of which 1,828 are newly authorized patents, accumulating 26,600 effective patents as at the end of the Reporting Period, further improving the quality of its patents. Following the lead in winning the first prize of the 2018 National Science and Technology Progress Award, the Company has passed five preliminary evaluations for and completed public announcement of the National Science and Technology Awards with two leading and three participating nominations. MCC has shown steady growth trend for substantial development.

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

Forge high-quality development of industry competitiveness. We will stand our ground in forging the world's top "national team" for metallurgical construction, adamantly aimed at the top technology, speed up core technology replacement, thus realizing advancement of core technologies to remain at the top of the market; aiming resolutely at system control. MCC will push ahead with optimization by industry chain consolidation advantages, so as to retain its irreplaceable role in the industry. We are well-positioned to achieve sustainable growth through business model innovation and re-kindling of our business. We will focus on "differentiation, specialization, brand extensions" development strategy, persistently forge "the main force for fundamental construction and the forerunner of the emerging industries", accelerate to become a world-class city, and a provider of systematic solutions for industrial development as well as full-life-cycle services for engineering projects.

Create innovative competitiveness with high quality development. We will adhere to the market orientation, connect scientific research projects with the market demand, examine and create benefits in the market, adhere to the principle of technological productization and industrialization of products, and develop, productize and industrialize a batch of products; We will continue to strengthen our synergistic development by fully integrating our resource deployment and fully utilize the comparative advantage of central enterprises in tackling major events, and continue to optimize the system of technological innovation and stimulate innovation and vitality.

Forge market competitiveness with high quality development. We will consolidate, reinforce, raise and disentangle domestic markets, adhere to "Herd sheep on the grassland and catch fish at the fishing grounds", thoroughly penetrate and strengthen existing markets, fill up vacant areas, cultivate the local market, materialize upgrading of the market structure and free up the potential of growth for the sub-enterprises. Resolve into, reconcile, recompense overseas shortcomings, resolutely break away from reliance, substantialize and strengthen two platform companies; persist in maintaining stability, constantly improve standardization and refinement of the management of overseas businesses; adhere to excellence, deepen the focus on cultivating key areas, comprehensively sort out customer resources, strengthen the management of project lifecycle and ensure solid and sound operation for overseas businesses.

Forge administrative competitiveness with high quality development. We will restlessly take over the construction of project management and control platform, highlight and strengthen high efficiency of project management. We will give good performance first, to cut cost, increase profit and secure bids. Second, administer the operation and secure profits. Third, strengthen clearance and seek results; We will restlessly take over the enhancement of management effectiveness, forge a coordinated and highly effective management mechanism, establish a customer-oriented operating mechanism, construct a shared-value operating system, and implement highly efficient and high-quality management and control systems to ensure high-quality strategic and tactical results.

Forge talent competitiveness with high quality development. We will adhere great importance to forging a talent team with optimized structure, reasonable ladder, excellent quality, ardent love for the enterprise and devotion. We will reinforce the construction of MCC's talent team, ensure "one stability", and continue to maintain the allocation of human resources in nineteen business units of the eight major sections of the "National Team"; Achieve "three optimizations" on academic framework, professional title framework and knowledge framework; and focus on the formulation of the "Five Teams" of high-level MCC talents, MCC technological research and development talents, high-skilled MCC talents, MCC project management talents and MCC international talents.

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

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 2019, China's economy continued to operate within a reasonable range, maintained the development momentum of overall stability and steady progress, and featured stable and improved production, increasing demand, stable price movement, enhanced innovation-driven development, etc.; The growth rate of investment in manufacturing rebounded at a low level and in particular, a faster growth was observed in high-tech manufacturing; The investment in real estate development maintained a relatively rapid growth. The national investment in fixed assets (excluding farmers) amounted to RMB29,910 billion, representing an increase of 5.8% as compared with that of last year.

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

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

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

(2) The Operating Results of the Business

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

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

Unit: RMB'000

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

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

① Metallurgical Engineering Construction Business

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

coordination and arrangement, and conduct overall marketing on major metallurgical projects. While ensuring that large and medium-sized projects of major iron and steel companies keep up with pace, the Company firmly consolidated the status of being the “national team for metallurgical construction”.

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

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

Unit: RMB'000

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

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

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

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

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
7	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Minguang) and Ancillary Project of H-shaped Steel Production Line with Annual Output of 1.3 Million Tons of San Gang Group of Fujian Luoyuan Minguang Iron & Steel Co., Ltd. (福建羅源閩光鋼鐵有限責任公司三鋼集團產能置換(羅源閩光部分)及配套項目年產130萬噸H型鋼生產線EPC總承包項目)	10.5	Huatian Engineering & Technology Corporation, MCC
8	Construction Project (Section II) for Hot Rolling Engineering of No. 3 Blast Furnace System of Baosteel Zhanjiang Iron & Steel (寶鋼湛江鋼鐵三高爐系統項目熱軋工程2標施工項目)	9.0	China MCC 20 Group Co., Ltd.
9	EPC General Contracting Supplemental Agreement on 5# and 6# Coke Oven Environmental Protection Relocation Project of Tangshan Ganglian Coking Co., Ltd. (唐山鋼聯焦化有限責任公司5#、6#焦爐環保搬遷工程EPC總承包補充協議)	9.0	ACRE Coking & Refractory Engineering Consulting Corporation, MCC
10	EPC General Contracting Project for Production Capacity Replacement (Luoyuan Min Guang) and 1*120t Converter Steel-making Project of Ancillary Project for San Gang Group (三鋼集團產能置換(羅源閩光部分)及配套項目1*120t轉爐煉鋼工程EPC總承包項目)	8.8	MCC Capital Engineering & Research Incorporation Limited
11	Coking Engineering of No. 3 Blast Furnace System of Baosteel Zhanjiang Iron & Steel (寶鋼湛江鋼鐵三高爐系統項目煉焦工程)	7.8	China MCC 5 Group Co., Ltd.
12	Iron-processing Project for No. 3 Blast Furnace System of Zhanjiang Iron & Steel (湛江鋼鐵三高爐系統項目煉鐵工程)	7.1	Shanghai Baoye Group Corp., Ltd.

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
13	EPC General Contracting Project for Construction of R&D Center for Industry Upgrade of HBIS Group Co., Ltd. and Production Capacity Transfer of HBIS Group Xuansteel Company (河鋼產業升級及宣鋼產能轉移項目研發中心建設EPC總承包項目)	7.0	MCC Capital Engineering & Research Incorporation Limited
14	Blast Furnace Engineering Project for Phase 3 Equipment and Technology Renovation Project of Xusteel Group (徐鋼集團三期裝備技改項目高爐工程項目)	6.6	CISDI Group Corp. Ltd.

② Non-Steel Engineering Construction Business

Fundamental Construction

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

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

PPP projects and the total investment amount was RMB40.5 billion. In terms of industry distribution, the PPP projects mainly included municipal engineering, transportation, water conservancy construction, tourism, sports and technology.

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

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

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

Unit: RMB'000

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

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

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

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
1	General Contracting (EPC) Project for Comprehensive Renovation of High-tech Avenue (Third Ring Road – Outer Ring Road) in Wuhan City, Hubei Province (湖北省武漢市高新大道(三環線–外環線)綜合改造工程總承包(EPC)項目)	40.9	WISDRI Engineering & Research Incorporation Limited
2	Municipal Road Construction Project (Section II) for Qinghu South Section of Meiguan Expressway in Shenzhen City (深圳市梅觀高速清湖南段市政道路工程施工二標段項目)	39.6	China MCC 20 Group Co., Ltd.
3	EPC+O (Survey and Design, Procurement, Construction + Operation) Project for Black and Odorous (Substandard) Water Control and Improvement (Project III) in the Central Part of Zhongshan City, Guangdong Province (廣東省中山市中心組團黑臭(未達標)水體整治提升工程(項目三)EPC+O(勘察設計、採購、施工+運營)項目)	39.6	Huatian Engineering & Technology Corporation, MCC
4	Engineering and Construction Contract for PPP Project of Infrastructure and Ancillary Services of Ganjiang Bingang Industrial City in Yuhuan City, Zhejiang Province (浙江省玉環市幹江濱港工業城基礎設施及服務配套PPP項目建設工程施工合同)	25.3	MCC TianGong Group Corporation Limited
5	Construction Project of North Section of Tongcheng Avenue (Xiaozhaiba Town – Wujiang River) in Xifeng County, Guiyang City, Guizhou Province (貴州省貴陽市息烽縣同城大道北段(小寨壩至烏江段)建設項目)	19.8	China MCC 17 Group Co., Ltd.

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
6	General Contracting Project for Phase I Jintang Avenue-Jianyang-Huanglongxi Expressway (The Section from Jianyang-Renshou Expressway – Chengdu-Jianyang Expressway to Airport South Line Section) in Chengdu City, Sichuan Province (四川省成都市金簡黃快速路一期(簡仁快速路-成簡快速路至機場南線段)施工總承包項目)	17.3	China MCC 5 Group Co., Ltd.
7	Construction General Contracting for PPP Project of Beichen East Road, Integrated Piping System and Ancillary Engineering in Beichen District, Tianjin City (天津市北辰區北辰東道道路、綜合管廊及附屬工程PPP項目施工總承包項目)	14.9	China First Metallurgical Group Co., Ltd.
8	Phase I of Comprehensive Habitat Restoration Project (East and West Zones) and Phase II of Collaborative Project by Social Joint Venture (South Zone) (Shaxi Line to Chuan-Shan Road Section) for the Around-city Ecological Zone in Chengdu City, Sichuan Province (四川省成都市環城生態區生態修復綜合項目(東、西片區)一期、(南片區)二期社會合資合作方沙西線至川陝路標段合作項目)	14.3	China MCC 5 Group Co., Ltd.
9	Construction Project of Extension Engineering of Changxing Third Road, Xiaoyun Avenue in Xiaogan City (Connection Line in Yunmeng East Station of Wuhan – Xi'an High Speed Rail)((武西高鐵雲夢東站聯絡線)孝感市孝雲大道長興三路延伸工程施工項目)	12.8	MCC TianGong Group Corporation Limited
10	General Contracting Project for Construction of Overnight Rooms and Ancillary Facilities for Visitors of Meilan Airport in Haikou, Hainan Province (海南省海口市美蘭機場旅客過夜用房及配套施工總承包項目)	12.0	China First Metallurgical Group Co., Ltd.

No.	Name of Project	Contractual Amount (RMB100 million)	Implementing Entity
11	Supplemental Agreement of Financing Construction Contracts for 27 Projects Including Construction Project of Dongshan Avenue and Construction Project of Erliqiao Road in Chengdu City, Sichuan Province (四川省成都市東山大道建設項目、二里橋路建設項目等27個項目融資建設合同之補充協議)	11.0	China MCC 5 Group Co., Ltd.
12	Construction Project for Urban Infrastructure and Ancillary Facilities and Environmental Improvements in Boxing County of Binzhou City, Shandong Province (山東省濱州市博興縣城區基礎設施配套及環境提升建設項目)	10.9	MCC TianGong Group Corporation Limited
13	Section I of the PPP Project for Fuquan (Machangping – Longchang) Section of Duyun-Weng'an Urban Main Road in Fuquan City, Guizhou Province (貴州省福泉市都勻至翁安城市主幹道路福泉(馬場坪至龍昌)段PPP項目第 I 標段)	10.6	China MCC 17 Group Co., Ltd.
14	Construction Project of Tourism Infrastructure – SkyTrain Trial Line from Jinyuan to Anren, Dayi County, Chengdu, Sichuan Province (四川省成都市大邑縣晉原至安仁旅遊基礎設施-空鐵試驗線項目)	10.5	China MCC 5 Group Co., Ltd.
15	PPP Project for Infrastructure and Supporting Facilities at Dangtu Economic Development Zone, Ma'anshan City, Anhui Province (安徽省馬鞍山市當塗縣經濟開發區基礎配套設施PPP項目)	10.1	China MCC 17 Group Co., Ltd.

Emerging Industries

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

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

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

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

The Company also strengthened its efforts on market development for environmental protection businesses including soil restoration, waste incineration and mine restoration, and resulted in the winning of bid for a number of projects including the EPC General Contracting Project for Domestic Waste Incineration Power Plant with Capacity of 4,000 tons/day in Hanoi, Vietnam and the Phase I Survey, Design Project for Comprehensive Waste Disposal Facility in Xiong’an New Area, and the Ecological Restoration Project for Residue Landfill in Jiading District, Shanghai. In particular, the Phase I Project for Comprehensive Waste Disposal Facility in Xiong’an New Area is the first fully concealed comprehensive waste disposal project in the world, and the whole comprehensive waste disposal facility was constructed by following the concept of “De-industrialized Design”. By deploying waste disposal functions underground and semi-underground, this project aims to perfectly integrate suburb park, forest ski resort, concert hall and waste disposal plant. This project employs several advanced technologies. For instance, the plant is fully enclosed under negative pressure and will be operated in accordance with ultra-low emission standards superior to those in Japan and the European Union.

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

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

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

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

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

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

2. **Property Development Business**

(1) *Industry Overview*

The property industry has ended its high-speed growth period and entered into a mature period of relatively steady growth. For the purpose of establishing a long-term mechanism for the healthy development of the property market, it is necessary to adhere to its policy positioning that “houses should be built for living, not for speculation”, introduce policies according to cities’ circumstances, provide guidance based on different categories, further consolidate the subject responsibility of municipal governments, and improve the housing market system and housing security system. Local governments implemented control measures on city clusters and transited from curbing traditional demand end to increasing housing supply on the supply side. Restrictions on purchase, loan and sale, coupled with restriction on land auction were imposed

by governments, resulted in the optimized supply structure and the gradual effect of the control measures. The industry featured an increased degree of concentration with obvious differentiation in the markets of various cities and a downward trend in the land markets of major cities. There continued to be differentiation among property enterprises in terms of business performance, and large-scale property enterprises continued to distinguish themselves in respect of the scale effect in sale, land acquisition, product, marketing, financing and diversified layout.

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

(2) The Operating Results of the Business

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

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

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

Unit: RMB'000

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

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

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

- ① **MCC Xinglong Xincheng • Hongshijun Project.** On 2 November 2017, MCC Real Estate won the land use rights through bidding for parcels located at Hongshili Village and Nantumen Village of Xinglong County at RMB1.291 billion. The project is located in Xinglong County, Chengde City, Hebei Province, which was elected as the “2017 100 Best Counties for Summer Resort in China” and “100 Best Small Towns for Deep Breaths in China”, with a total planning site area of 12,000 mu and total construction land of 3,000 mu. The planning site area, construction land area and floor area for phase I of the project will be 4,000 mu, 1,847 mu and 1.76 million sq.m., respectively, with a planning plot ratio of 1.2. The project represents the transformation of MCC Real Estate from a single-mode real estate developer to an urban integrated operator. The project will, with no doubt, become the work of the time created by a stronger MCC brand. The project was launched for initial sale on 23 June 2018, with the first batch completed and delivered at the end of 2018. The remaining parts are currently in the progress of main structure construction and internal and external decoration, and expected to be completed and delivered in September 2019.

- ② Zhuhai Headquarter Building Phase II Project. In December 2010, Zhuhai Hengqin Headquarter Building Investment and Development Co., Ltd. won through bidding the state-owned land use right for the parcel of project at approximately RMB800 million in cash. In 2015, MCC Real Estate acquired 31% equity interest in the project company through equity transfer, and is responsible for the later-stage development of the project. The project is located at Hengqin port in Hengqin Free Trade Area in Zhuhai City, which has superior geographical position being on the other side of the river from Macau. The project is planned to be a commercial and office complex, which is designed by Mr. Keith Griffiths, the founder partner of the world-renowned architecture practices Aedas. Taking “double dragons in pursuit of a pearl” as the design concept, the project is built to be a future landmark building in Hengqin and even Southern China. The pile foundation of the project is currently under construction, and the preliminary formalities of the project are being handled. It is expected that the project will be launched for initial sale in late 2019.
- ③ Hong Kong L’AQUATIQUE. In November 2013, Nan Hua International Engineering Ltd. won Land Lot No. 70, Tsing Lung Tau, Tsuen Wan, Hong Kong by HK\$500.18 million through public tendering, which covers an area of approximately 4,868 sq.m. Closed to the seashore, the project boasts a spectacular 180-degree sea view that overlooks Ting Kau-Lantau Island belt, and the winding Tsing Lung Wan, Tung Wan and Ma Wan ahead is an exceptional and unique gulf landscape in Hong Kong. Adjacent to the high-profile Hong Kong-Shenzhen-Macau new golden delta, the region will become a core of the Pearl River Delta city cluster as the Guangdong-Hong Kong-Macau Greater Bay develops with an active market. The project unveiled its initial sales on 17 November 2018. Inspection and acceptance of the project are in progress now, and is expected to complete in December 2019.

3. *Equipment Manufacturing Business*

(1) *Industry Overview*

At present, the iron and steel industry made sustained efforts to promote the supply-side structural reform. As a result, the industry structure constantly improved and the market order saw a noticeable improvement. As the ancillary industry of the iron and steel industry, the domestic metallurgical equipment manufacturing industry is expected to show gradual improvement in overall situation. In the recent years, given the features of

strong strength, great resilience capacity, high recyclability and other advantages, the steel structure has been paid more attention by the state and recognized by the market. As the state is actively transforming from “advancement of steel structure construction in a proactive and sound manner” to “devotion of greater efforts in steel structure construction”, the steel structure industry will have greater market potential in the future.

(2) *The Operating Results of the Business*

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

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

Unit: RMB’000

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

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

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

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

4. *Resources Development Business*

(1) *Industry Overview*

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

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

Source: WIND

(2) *The Operating Results of the Business*

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

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

Unit: RMB'000

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

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

② Pakistan Duddar Lead-Zinc Mine Project

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

③ Pakistan Saindak Copper-Gold Mine Project

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

(II) Analysis on core competitiveness during the Reporting Period

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

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

III. FINANCIAL HIGHLIGHTS

(I) Overview

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

- Operating revenue amounted to RMB159,017 million, representing a year-on-year increase of RMB32,904 million or 26.09% from RMB126,113 million in the first half of 2018.
- Net profit amounted to RMB3,778 million, representing a year-on-year increase of RMB279 million or 7.98% from RMB3,499 million in the first half of 2018.
- Net profit attributable to Shareholders of the Company amounted to RMB3,157 million, representing a year-on-year increase of RMB250 million or 8.59% from RMB2,907 million in the first half of 2018.
- Basic earnings per share amounted to RMB0.13, and the basic earnings per share in the first half of 2018 amounted to RMB0.12.
- As at 30 June 2019, total assets amounted to RMB453,975 million, representing an increase of RMB15,059 million or 3.43% from RMB438,916 million as at 31 December 2018.

- As at 30 June 2019, total Shareholders' equity amounted to RMB105,509 million, representing an increase of RMB2,840 million or 2.77% from RMB102,669 million as at 31 December 2018.
- Newly signed contracts amounted to RMB381,500 million, representing an increase of RMB64,900 million or 20.49% from RMB316,600 million in the first half of 2018.

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

(II) Operating revenue from principal business segments

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

1. *Engineering Contracting Business*

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

2. *Property Development Business*

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

3. *Equipment Manufacture Business*

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

4. *Resource Development Business*

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

5. *Other Businesses*

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

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

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

(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 will further motivate the iron and steel industry to speed up the pace of environmental protection transformation, structural adjustment and transformation and upgrading. Currently, the major contradictions faced by the iron and steel industry have been converted to the incompatibility between industrial structure and market competitive demands and the incompatibility between the level of green development and demands for ecological environment. Enterprises are faced with new opportunities and challenges due to the unbalanced and uncertain industry development trend.

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

(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, environmental governance and sponge city are expected to maintain rapid growth. Optimization of industry investment structure, control of scale of real estate investment, reasonable layout of infrastructure investment, regulation of PPP projects are the main factors affecting the investment.

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

(IV) Risks associated with the property development business segment

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

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

(V) Risks associated with financial segment

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

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

(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 strengthen its efforts on process improvement to further improve project output, and strengthen the costs control, reduce energy consumption and take all possible measures to reduce the costs on production, operation and other costs.

(VII) Risks associated with international operations

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

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

(VIII) Environmental and social risks

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

(IX) Risks associated with data fraud or theft

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

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

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

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

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

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

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

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

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

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

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

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

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

2. *Analysis on revenue and costs*

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

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

1) Trend of macro-economy internationally and domestically

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

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

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

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

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

- ① Impact from changes in the tax policy

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

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

② Impact of the fluctuation in exchange rate and monetary policy

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

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

4) Overseas tax policies and their changes

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

5) Changes in major raw materials prices

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

6) Construction subcontracting expenses

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

7) Operation of subsidiaries and key projects

The final result of the third party's auditor of the Western Australia SINO Iron Ore EPC General Contract Project, the progress of the Project of MCC Real Estate in Xiaguan District of Nanjing, the recovery of payment for contract work from the government and its financing platforms, the investment and operation of PPP project and the recovery of payment from projects of some steel and iron enterprises will significantly affect the future financial performance of the Company.

8) Enhancement in the quality of operational management

The quality of operational management will significantly affect the results of the Company. The Company will continue to "Highlight the Theme of Reform and Focus on Core Business", strive to further improve the corporate governance and operation of internal control in order to strengthen the operation management and risk control, raise management quality and effectiveness, and perfect the assessment and incentive systems of the Company. The Company will continue to deepen the design and operation of "macro environment, major customers and large-scale projects", through systematic reform and innovation, as well as scientific decision-making to stimulate the Company's vitality and creativity, design and operation and achieve a simple, efficient and effective management and control system. Whether these management goals can be effectively implemented will also influence, to quite a large extent, the improvement in the operating results of the Company.

9) Uneven distribution of revenue

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

(2) Major business by segment and region

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

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

① Engineering contracting business

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

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

Unit: RMB'000

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

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

② Property development business

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

③ Equipment manufacture business

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

④ Resource development business

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

2) Explanation on Major Business by Region

For details, please refer to the section headed "Notes to the Consolidated Financial Statement" 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	131,450,459	90.29	100,528,921	87.94	30.76
Property development	operating costs	7,514,380	5.16	7,392,194	6.47	1.65
Equipment manufacture	operating costs	3,303,118	2.27	2,895,060	2.53	14.09
Resource development	operating costs	1,834,103	1.26	2,024,821	1.77	-9.42

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

Description of other results in the analysis on costs

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

Unit: RMB'000

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

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

(4) Information of major customers and major suppliers

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

Unit: RMB'000

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

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

Unit: RMB'000

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

3. Analysis on Expenses

(1) Selling expenses

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

(2) Administrative expenses

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

(3) Financial expenses

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

4. Research and development expenditure

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

Unit: RMB'000

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

5. Cash flows

The cash flows of the Company are as follows

Unit: RMB'000

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

(1) Operating activities

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

(2) Investing activities

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

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

(3) Financing activities

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

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

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

Analysis on assets and liabilities:

(1) Analysis on the structure of assets

Cash and bank balances

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

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

Accounts receivable

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

Other receivables

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

Inventories

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

Contract assets

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

(2) *Analysis on the structure of liabilities*

Long-term and short-term borrowings

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

Accounts payable

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

Contract liabilities

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

(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>)	1,394	313	1,387	532	3,626
Total amount	<u>3,621,399</u>	<u>3,447,463</u>	<u>7,472,999</u>	<u>1,414,614</u>	<u>15,956,475</u>

Unit: RMB'000

Project location	Domestic	Overseas	Total
Number of projects (<i>Unit</i>)	3,544	82	3,626
Total amount	<u>15,433,126</u>	<u>523,349</u>	<u>15,956,475</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 (<i>Unit</i>)	3,373	2,227	3,933	1,363	10,896
Total amount	<u>63,962,858</u>	<u>27,236,050</u>	<u>29,919,617</u>	<u>13,624,577</u>	<u>134,743,102</u>

Unit: RMB'000

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

3. Overseas projects during the Reporting Period

Unit: RMB'000

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

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

4. Financing arrangements of the Company

Debt financing and financing by other equity instruments of the Company

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

5. Investment in Yingtian MCC-CIF Industrial Development Partnership (LP)

As reviewed and approved by the Board of the Company, MCC, China Credit Trust Co., Ltd. (中國中冶與中誠信託有限責任公司), MCL-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) jointly established Yingtian MCC-CIF Industrial Development Partnership (LP) on 22 December 2017. The total subscribed contribution is RMB18,000.16 million in cash, among which the subscribed contribution of MCC, being a limited partner, is

RMB8,800 million or 48.8885%; the subscribed contribution of China Credit Trust Co., Ltd., being a limited partner, is RMB9,200 million or 51.1107%; MCC-CCB Investment Fund Management (Beijing) Company Limited (中冶建信投資基金管理(北京)有限公司) and CIF (Beijing) Investment Fund Management Co., Ltd. (信銀振華(北京)股權投資基金管理有限公司) are general and executive partners and their subscribed contributions are RMB80 thousand or 0.0004%, respectively. During the Reporting Period, no additional paid-in capital contribution of the Company was made.

(IV) Investment analysis

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

VI. CONSOLIDATED AND THE COMPANY'S BALANCE SHEETS

CONSOLIDATED BALANCE SHEET

30 June 2019

All amounts in RMB'000

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

CONSOLIDATED BALANCE SHEET*30 June 2019**All amounts in RMB'000*

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

CONSOLIDATED BALANCE SHEET*30 June 2019**All amounts in RMB'000*

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

THE COMPANY'S BALANCE SHEET

30 June 2019

All amounts in RMB'000

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

THE COMPANY'S BALANCE SHEET

30 June 2019

All amounts in RMB'000

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

VII. CONSOLIDATED AND THE COMPANY'S INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 June 2019

All amounts in RMB'000

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

CONSOLIDATED INCOME STATEMENT

For the six months period ended 30 June 2019

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Net profit from discontinued operations	–	–
(II) Net profit classified by ownership ascription		
Net profit attributable to shareholders of the Company	3,156,882	2,907,197
Profit or loss attributable to non-controlling interests	621,376	591,771
VI. Other comprehensive income, net of income tax	(2,596)	(171,555)
Other comprehensive income attributable to shareholders of the Company, net of income tax	(1,921)	(163,855)
(I) Items that will not be reclassified to profit or loss	19,427	(203,907)
1. Re-measurement of defined benefit obligations	410	(120,171)
2. Changes in fair values of investments in other equity instruments	19,017	(83,736)
(II) Items that may be reclassified to profit or loss	(21,348)	40,052
1. Other comprehensive income that can be reclassified to profit or loss under the equity method	(27)	20
2. Changes in fair value of receivables at FVTOCI	(43,335)	–
3. Exchange differences on translating financial statements in foreign currencies	22,014	40,032
Other comprehensive income attributable to non-controlling interests, net of income tax	(675)	(7,700)
VII. Total comprehensive income	3,775,662	3,327,413
Total comprehensive income attributable to shareholders of the Company	3,154,961	2,743,342
Total comprehensive income attributable to non-controlling interests	620,701	584,071
VIII. Earnings per share		
(I) Basic earnings per share (RMB/share)	0.13	0.12
(II) Diluted earnings per share (RMB/share)	<u>Not Applicable</u>	<u>Not Applicable</u>

THE COMPANY'S INCOME STATEMENT

For the six months period ended 30 June 2019

All amounts in RMB'000

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

VIII. CONSOLIDATED AND THE COMPANY'S CASH FLOW STATEMENTS

CONSOLIDATED CASH FLOW STATEMENT

For the six months period ended 30 June 2019

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 the sale of goods and the rendering of services	154,739,444	127,628,770
Receipts of tax refunds	457,092	491,011
Other cash receipts relating to operating activities	2,031,605	1,362,746
Sub-total of cash inflows from operating activities	<u>157,228,141</u>	<u>129,482,527</u>
Cash payments for goods purchased and services received	136,242,339	112,538,657
Cash payments to and on behalf of employees	10,633,165	9,270,649
Payments of various types of taxes	6,936,841	6,363,212
Other cash payments relating to operating activities	8,647,824	9,416,601
Sub-total of cash outflows from operating activities	<u>162,460,169</u>	<u>137,589,119</u>
Net Cash Flows from Operating Activities	<u>(5,232,028)</u>	<u>(8,106,592)</u>

CONSOLIDATED CASH FLOW STATEMENT

For the six months period ended 30 June 2019

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:		
Cash receipts from disposals and recovery of investments	1,292,991	37,507
Cash receipts from investment income	152,138	61,509
Net cash receipts from disposal of fixed assets, intangible assets and other long- term assets	181,509	71,844
Net cash receipts from disposal of subsidiaries and other business units	–	41,452
Other cash receipts relating to investing activities	778,879	1,068,770
Sub-total of cash inflows from investing activities	<u>2,405,517</u>	<u>1,281,082</u>
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	1,451,598	2,695,714
Cash payments to acquire investments	2,333,054	4,386,523
Other cash payments relating to investing activities	1,966,634	558,670
Sub-total of cash outflows from investing activities	<u>5,751,286</u>	<u>7,640,907</u>
Net Cash Flows from Investing Activities	<u>(3,345,769)</u>	<u>(6,359,825)</u>

CONSOLIDATED CASH FLOW STATEMENT

For the six months period ended 30 June 2019

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

THE COMPANY'S CASH FLOW STATEMENT

For the six months period ended 30 June 2019

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 the sale of goods and the rendering of services	2,150,730	2,195,678
Receipts of tax refunds	661	–
Other cash receipts relating to operating activities	303,569	13,729
Sub-total of cash inflows from operating activities	2,454,960	2,209,407
Cash payments for goods purchased and services received	1,908,719	2,155,671
Cash payments to and on behalf of employees	44,265	40,175
Payments of various types of taxes	38,098	34,433
Other cash payments relating to operating activities	61,136	142,606
Sub-total of cash outflows from operating activities	2,052,218	2,372,885
Net Cash Flows from Operating Activities	402,742	(163,478)

THE COMPANY'S CASH FLOW STATEMENT

For the six months period ended 30 June 2019

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
II. Cash Flows from Investing Activities:		
Cash receipts from investment income	138,564	268,514
Net cash receipts from disposal of fixed assets, intangible assets and other long- term assets	97	19
Other cash receipts relating to investing activities	–	6
Sub-total of cash inflows from investing activities	138,661	268,539
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets	1,079	1,916
Cash payments to acquire investments	613,950	710,738
Other cash payments relating to investing activities	464,822	6,247,265
Sub-total of cash outflows from investing activities	1,079,851	6,959,919
Net Cash Flows from Investing Activities	(941,190)	(6,691,380)

THE COMPANY'S CASH FLOW STATEMENT

For the six months period ended 30 June 2019

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 investments	600,000	—
Including: Cash receipts from issue of perpetual bond	600,000	—
Cash receipts from borrowings	39,395,114	45,000,388
Sub-total of cash inflows from financing activities	<u>39,995,114</u>	<u>45,000,388</u>
Cash repayments of borrowings	37,842,206	38,812,051
Cash payments for distribution of dividends or profits or settlement of interest expenses	1,629,510	1,245,880
Other cash payments relating to financing activities	10,989	98
Sub-total of cash outflows from financing activities	<u>39,482,705</u>	<u>40,058,029</u>
Net Cash Flows from Financing Activities	<u>512,409</u>	<u>4,942,359</u>
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents	<u>6,698</u>	<u>(3,688)</u>
V. Net Decrease in Cash and Cash Equivalents	<u>(19,341)</u>	<u>(1,916,187)</u>
Add: Opening balance of Cash and Cash equivalents	<u>2,511,810</u>	<u>4,648,065</u>
VI. Closing Balance of Cash and Cash Equivalents	<u><u>2,492,469</u></u>	<u><u>2,731,878</u></u>

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB '000

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

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB '000

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

THE COMPANY'S STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

All amounts in RMB'000

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

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

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

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

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

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

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

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

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

(II) SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Basis of preparation

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

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

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

Statement of compliance

These financial statements are in compliance with the CASBE to truly and completely reflect consolidated and the Company's financial position as at 30 June 2019 and consolidated and the Company's operating results and cash flows for the six months period then ended.

Accounting period

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

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

Effect of New Standard for Leases on the Group

The Group adopted the Accounting Standards for Business Enterprises No.21 – Leases revised by the MoF in 2018 (hereinafter referred to as the “New Standard for Leases”) since 1 January 2019 (“date of initial application”).

For a contract that has existed as at the date of initial application, the Group does not reassess whether it is, or contains a lease. For a contract entered into or modified on or after the date of initial application, the Group assesses whether such contract is or contains a lease under the definition of the New Standard for Leases.

The Group acts as a lessor

The Group does not need any transitional adjustment to its lease as a lessor, but does need to conduct accounting treatment in accordance with the New Standard for Leases from the date of initial application. The New Standard for Leases have no significant impact on the group's lease as a lessor.

The Group acts as a lessee

The Group adjusted amount of relevant financial statement items as at the date of initial application on the basis of the accumulative effects arising from initial application of the New Standard for Leases, without adjusting the information for comparative period.

For finance leases existed before the date of initial application, the right-of-use assets and lease liabilities are respectively measured by the Group based on the previous carrying amount of assets held under finance leases and finance lease payable at the date of initial application. For operating leases existed before the date of initial application, the lease liabilities are measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate (4.35%-5.00%) at the date of initial application. The right-of-use asset is measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments as necessary.

For operating leases existed before the date of initial application, the Group can choose to use the following practical expedients on a lease-by-lease basis:

- operating leases with lease term ends within 12 months of the date of initial application are accounted for as short-term leases
- initial direct costs are excluded from the measurement of the right-of-use asset;
- for lease modifications before the date of initial application, the accounting treatment is made by the Group on the basis of the ultimate arrangements of such lease modifications.

The above practical expedients of operating leases before the date of the initial application have no significant effects on the Group's retained earnings on the date of initial application.

At the date of initial application, the Group has made the following adjustments upon application of the New Standard for Leases:

The Group recognised lease liabilities of RMB279,443,000 and right-of-use assets of RMB333,065,000 as at 1 January 2019.

Based on the above, the effects of the application of the New Standard for Leases on the relevant balance sheet items as at 1 January 2019 are as follows:

All amounts in RMB'000

Items	31 December 2018	Adjustments	1 January 2019
Current assets:			
Prepayments	20,285,773	(11,156)	20,274,617
Non-current assets:			
Fixed assets	27,370,040	(131,623)	27,238,417
Right-of-use assets	--	333,065	333,065
Long-term prepayments	269,670	(26,737)	242,933
Current liabilities:			
Non-current liabilities due within 1 year	14,772,502	45,179	14,817,681
Non-current liabilities:			
Lease liabilities	--	202,207	202,207
Long-term payables	1,180,520	(83,837)	1,096,683

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

All amounts in RMB'000

1. Operating lease commitments at 31 December 2018:	203,034
Lease liabilities measured by using incremental borrowing rate at the date of initial application	173,022
Less: recognition exemption – short-term leases	9,473
Lease liabilities recognised under New Standard for	
Leases that are related to previous operating leases	163,549
Add: finance lease payable at 31 December 2018	115,894
2. Lease liabilities at 1 January 2019	279,443
Including: lease liabilities due within 1 year	77,236
lease liabilities due over 1 year	202,207

Effects of new standard for exchange of non-monetary assets on the Group

On 9 May 2019, the revised CASBE No.7 – *Exchanges of Non-monetary Assets (Cai Kuai (2019) No. 8*, hereinafter referred to as the New Standard for Exchanges of Non-monetary Assets) was released by the Ministry of Finance with the effective date of 10 June 2019. For transfer of non-monetary assets incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Exchanges of Non-monetary Assets. The New Standard for Exchanges of Non-monetary Assets clarified: 1) the definition of exchange of non-monetary assets (revised); 2) the applicable scope of the standard; 3) the time point to recognise the asset received and to derecognize the asset surrendered and the accounting treatment of the inconsistency between the time point to recognise the asset received and to derecognize the asset surrendered; 4) the detailed accounting treatment of exchange of non-monetary assets; and 5) the new requirements of disclosures. The adoption of the New Standard for Exchanges of Non-monetary Assets has no significant effects on the Group’s financial statements for the current period.

Effects of new Standard for debt restructuring on the Group

On 16 May 2019, the revised CASBE No.12 Debt Restructuring (Cai Kuai (2019) No.9, hereinafter referred to as the “New Standard for Debt Restructuring”) with the effective date of 17 June 2019. For debt restructuring incurred during the period from 1 January 2019 to the date of application of the Standards, adjustments are made in accordance with the New Standard for Debt Restructuring. The New Standard for Debt Restructuring clarified: 1) the definition of debt restructuring (revised); 2) the applicable scope of the standard; 3) the accounting treatment of debt restructuring; and 4) the simplified requirements of disclosures. The adoption of the New Standard for Debt Restructuring has no significant effects on the Group’s financial statements for the current period.

Effects of the revised format of financial statements on the Group

Since the preparation of the 2019 interim financial statements, the Group adopted the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise (Cai Kuai (2019) No. 6, hereinafter referred to as the “Cai Kuai No.6 Document”) released by the MoF on 30 April 2019. Cai Kuai No.6 Document revised the presenting items in the balance sheet, income statement, cash flow statement and statement of changes in owners’ equity, divided the line item of “bills and accounts receivable” into “bills receivable” and “accounts receivable”, divided the line item of “bills and accounts payable” into “bills payable” and “accounts payable”, added line items of “receivables at FVTOCI”, specified or revised the presenting contents of “other receivables”, “non-current assets due within 1 year”, “other payables”, “deferred income”, “other equity instruments”, “research and development expenses”, “interest income” under “financial expenses”,

“other income”, “non-operating income”, “non-operating expenses”, “capital contributions from holders of other equity instruments”, stipulated the reporting requirements of loss preparation for items such as financial guarantee contracts, added line items of “income from derecognition of financial assets at amortised cost”, under the line item of “investment income”, adjusted the presenting location of some accounts in the income statement and clarified the presenting item of government grants in the cash flow statement. The Group has restated the above changes in presenting accounts of comparative period.

(IV) NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Cash	21,163	18,910
Bank deposits	24,634,420	31,202,801
Other cash and bank balances	13,729,997	13,255,591
Total	<u>38,385,580</u>	<u>44,477,302</u>
Including: Total amount of deposits abroad	<u>2,441,340</u>	<u>2,969,905</u>

2. Bills receivable

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provisions for credit losses	Carrying amount	Book value	Provisions for credit losses	Carrying amount
Bank acceptance bills	7,647,740	–	7,647,740	9,961,284	–	9,961,284
Commercial acceptance bills	<u>7,605,320</u>	<u>16,221</u>	<u>7,589,099</u>	<u>8,420,268</u>	<u>17,920</u>	<u>8,402,348</u>
Total	<u>15,253,060</u>	<u>16,221</u>	<u>15,236,839</u>	<u>18,381,552</u>	<u>17,920</u>	<u>18,363,632</u>

3. Accounts receivable

All amounts in RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	44,554,580	43,027,773
1 to 2 years	11,236,623	13,172,158
2 to 3 years	6,399,372	6,222,088
3 to 4 years	4,843,802	5,325,406
4 to 5 years	4,231,323	4,525,459
Over 5 years	8,293,351	8,095,841
	<hr/>	<hr/>
Total book value	79,559,051	80,368,725
	<hr/>	<hr/>
Less: provisions for credit losses	12,991,374	13,410,428
Carrying amount	66,567,677	66,958,297
	<hr/> <hr/>	<hr/> <hr/>

4. Prepayments

All amounts in RMB'000

Aging	30 June 2019		31 December 2018	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	17,706,982	76.37	14,971,889	73.80
1 to 2 years	1,831,109	7.90	1,355,775	6.68
2 to 3 years	1,017,752	4.39	1,317,531	6.50
Over 3 years	2,629,553	11.34	2,640,578	13.02
	<hr/>	<hr/>	<hr/>	<hr/>
Total	23,185,396	100.00	20,285,773	100.00
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

5. Other receivables

(1) Other receivables analyzed by category

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Interests receivable	4,184	5,579
Dividends receivable	134,366	150,105
Other receivables	<u>62,075,143</u>	<u>56,229,558</u>
Total	<u><u>62,213,693</u></u>	<u><u>56,385,242</u></u>

(2) Other receivables

(a) Aging analysis of other receivables

All amounts in RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	45,225,628	40,539,613
1 to 2 years	9,646,917	8,401,596
2 to 3 years	4,917,650	3,662,883
3 to 4 years	3,652,887	4,714,761
4 to 5 years	2,093,933	1,808,413
Over 5 years	<u>2,130,025</u>	<u>2,043,503</u>
Total book value	<u><u>67,667,040</u></u>	<u><u>61,170,769</u></u>
Less: provisions for credit losses	5,591,897	4,941,211
Carrying amount	<u><u>62,075,143</u></u>	<u><u>56,229,558</u></u>

(b) Other receivables categorized by nature

All amounts in RMB'000

Nature of other receivables	30 June 2019	31 December 2018
Guarantee deposits	28,157,297	25,107,121
Loan receivables from related parties	31,532,476	28,877,721
Advance to employees	457,979	356,862
Receivables on disposal of investments	2,704,572	2,704,572
Others	4,814,716	4,124,493
Total	<u>67,667,040</u>	<u>61,170,769</u>

6. Inventories

(1) Categories

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,606,175	56,656	3,549,519	3,782,710	55,485	3,727,225
Materials procurement	100,850	–	100,850	141,134	–	141,134
Outsourced processing materials	11,684	–	11,684	11,292	–	11,292
Work in progress	2,972,842	46,430	2,926,412	2,971,363	34,203	2,937,160
Finished goods	2,836,695	125,666	2,711,029	2,956,557	159,959	2,796,598
Other materials	685,160	6,672	678,488	653,412	6,678	646,734
Performance cost of contract	43,032	–	43,032	82,823	96	82,727
Properties under development	35,415,508	103,041	35,312,467	34,911,011	103,041	34,807,970
Completed properties held for sale	13,330,021	419,241	12,910,780	12,881,648	424,167	12,457,481
Total	<u>59,001,967</u>	<u>757,706</u>	<u>58,244,261</u>	<u>58,391,950</u>	<u>783,629</u>	<u>57,608,321</u>

(2) *Provision for impairment*

All amounts in RMB'000

Items	Balance at 31 December 2018	Increase		Decrease			Balance at 30 June 2019
		Provision	Others	Reversals	Write-offs	Others	
Raw materials	55,485	3,096	–	–	1,925	–	56,656
Work in progress	34,203	15,786	–	–	3,559	–	46,430
Finished goods	159,959	8,395	–	2,222	40,466	–	125,666
Other materials	6,678	–	–	6	–	–	6,672
Performance cost of contract	96	–	–	96	–	–	–
Properties under development	103,041	–	–	–	–	–	103,041
Completed properties held for sale	424,167	1,656	–	3,302	3,280	–	419,241
Total	783,629	28,933	–	5,626	49,230	–	757,706

7. *Contract assets*

(1) *Presentation of contract assets*

All amounts in RMB'000

Items	30 June 2019			31 December 2018		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Contract assets interrelated with engineering contracting services	72,918,430	2,671,839	70,246,591	64,706,417	2,545,766	62,160,651
Contract assets interrelated with quality guarantee deposit	4,641,387	193,253	4,448,134	4,884,672	325,774	4,558,898
Total	77,559,817	2,865,092	74,694,725	69,591,089	2,871,540	66,719,549

(2) *West Australia SINO Iron Mining Project*

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

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

The Group assessed the contract assets based on expected credit losses. In the opinion of the Group, although the final contract amount shall be confirmed after the auditing of the third party, the consensus between the Group and CITIC Group for the previously agreed construction costs of USD4.357 billion mentioned in the paragraph above remained unchanged. The Group reasonably expected that the consensus should not have any significant change and recognized no additional contract losses at 30 June 2019.

On 30 June 2019, the contract assets of the project mentioned above amounted to RMB3,678,035,000. After the completion of the audit mentioned above, the Group will actively follow up with CITIC Group for negotiation and discussion in reaching the final agreed project construction costs and make relevant accounting treatments accordingly.

8. *Long-term receivables*

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Long-term receivables on project	24,406,163	22,052,258
Loans to related parties	1,772,217	2,460,338
Receivables on disposal of equity investments	333,485	333,485
Others	1,453,609	1,415,068
Total carrying amount	<u>27,965,474</u>	<u>26,261,149</u>
Less: provision for credit losses for long-term receivables	1,652,034	1,141,857
Total book value	<u>26,313,440</u>	<u>25,119,292</u>
Including: Long-term receivables due within 1 year, net	3,002,921	3,498,610
Long-term receivables due over 1 year, net	<u>23,310,519</u>	<u>21,620,682</u>

9. Bills payable

All amounts in RMB'000

Category	30 June 2019	31 December 2018
Bank acceptance bills	27,189,738	25,251,870
Commercial acceptance bills	<u>2,697,820</u>	<u>2,499,137</u>
Total	<u><u>29,887,558</u></u>	<u><u>27,751,007</u></u>

10. Accounts payable

(1) Presentation of accounts payable

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Project fees	78,045,975	77,608,913
Purchases	32,868,511	28,487,082
Design fees	290,437	287,087
Labor fees	5,932,441	5,478,789
Retention money	659,800	633,018
Others	<u>752,523</u>	<u>766,002</u>
Total	<u><u>118,549,687</u></u>	<u><u>113,260,891</u></u>

(2) Aging analysis of accounts payable

All amounts in RMB'000

Aging	30 June 2019	31 December 2018
Within 1 year	88,612,628	80,480,768
1 to 2 years	15,294,735	16,570,927
2 to 3 years	5,114,315	6,194,146
Over 3 years	<u>9,528,009</u>	<u>10,015,050</u>
Total	<u><u>118,549,687</u></u>	<u><u>113,260,891</u></u>

11. Contract liabilities

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Contract liabilities relating to engineering contracting service contracts	38,321,869	40,795,568
Contract liabilities relating to sales contracts	15,153,639	16,591,164
Contract liabilities relating to other customers' contracts	1,700,454	1,531,561
Total	<u>55,175,962</u>	<u>58,918,293</u>

12. Other payables

(1) Other payables disclosed by nature

All amounts in RMB'000

Categories	30 June 2019	31 December 2018
Interests payable	45,262	164,662
Dividends payable	2,337,374	1,233,385
Other payables	27,784,618	22,155,180
Total	<u>30,167,254</u>	<u>23,553,227</u>

(2) Dividends payable

All amounts in RMB'000

Categories	30 June 2019	31 December 2018
Dividends due to MCC	815,038	—
Other ordinary dividends of the Company other than those due to MCC	635,615	—
Dividend declared on perpetual bonds classified as equity instrument	346,905	687,630
Other dividends	539,816	545,755
Total	<u>2,337,374</u>	<u>1,233,385</u>

(3) *Other payables*

All amounts in RMB'000

Items	30 June 2019	31 December 2018
Guarantees and deposits payable	16,084,453	14,900,075
Utilities payable	135,821	132,333
Repair and maintenance payable	361,635	368,680
Payables for land use rights	22,535	22,535
Payables for borrowings and loans	3,369,300	197,682
Others	7,810,874	6,533,875
Total	<u>27,784,618</u>	<u>22,155,180</u>

13. 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	158,593,804	141,310,839	125,663,129	110,403,471
Other business	423,575	212,653	449,444	237,628
Total	<u>159,017,379</u>	<u>141,523,492</u>	<u>126,112,573</u>	<u>110,641,099</u>

14. Taxes and levies

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
City construction and maintenance tax	136,750	143,058
Education surcharges	65,112	69,471
Land appreciation tax	602,892	575,108
Property tax	104,824	99,265
Land use tax	64,473	69,703
Stamp duty	77,613	69,041
Others	139,474	165,052
Total	<u>1,191,138</u>	<u>1,190,698</u>

15. Selling expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Packing charges	3,463	2,684
Employee compensation costs	449,862	358,864
Depreciation expenses of fixed assets	8,480	8,951
Travelling expenses	92,643	89,052
Office expenses	72,895	59,753
Transportation expenses	123,829	115,770
Advertising and sales service expenses	202,001	121,962
Others	77,795	73,449
Total	1,030,968	830,485

16. Administrative expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Employee compensation costs	2,698,558	2,410,905
Depreciation expenses of fixed assets	244,523	238,290
Travelling expenses	163,002	152,285
Office expenses	185,948	187,422
Lease rentals	46,411	67,318
Repairs and maintenance expenses	62,180	78,991
Amortization of intangible assets	79,743	85,135
Professional service fees	124,214	112,271
Others	543,395	494,342
Total	4,147,974	3,826,959

17. Research and development expenditure

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Research and development material expenditure	2,256,397	708,934
Employee compensation costs	1,168,799	655,692
Depreciation expenses of fixed assets	65,672	39,702
Amortization of intangible assets	7,146	6,808
Others	218,803	36,731
Total	<u>3,716,817</u>	<u>1,447,867</u>

18. Financial expenses

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Interest expenses	3,210,764	2,791,726
Less: Capitalized interests	(824,706)	(837,797)
Less: Interest income	(1,149,521)	(1,009,496)
Exchange losses	52,737	210,785
Bank charges	272,285	151,210
Interest expenses on lease liabilities	10,526	--
Others	111,723	130,296
Total	<u>1,683,808</u>	<u>1,436,724</u>

19. Impairment losses of credit

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
Credit losses of bills receivable	1,699	—
Credit losses on accounts receivable	54,760	(717,557)
Credit losses on other receivables	(674,439)	(263,580)
Impairment losses of contract assets	2,143	(50,073)
Credit losses on long-term receivables	(148,683)	—
Others	—	(7,800)
Total	<u>(764,520)</u>	<u>(1,039,010)</u>

20. Impairment losses of assets

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
I. Impairment of inventories	(23,307)	(210,851)
II. Impairment of long-term equity investment	–	(146,170)
III. Impairment of fixed assets	(16)	(280,576)
IV. Impairment of construction in progress	(5,564)	(137)
V. Impairment of intangible assets	–	(332,921)
VI. Impairment of goodwill	(83)	(91)
Total	<u>(28,970)</u>	<u>(970,746)</u>

21. Investment (losses) 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	(41,200)	(51,073)
Investment income on disposal of subsidiaries and long-term equity investments	147	100,258
Investment income on disposal of financial assets held-for-trading	17,566	9,132
Investment income from disposal of other non-current financial assets	17,898	–
Investment income from disposal of derivative financial instruments	6,513	–
Investment loss from disposal of receivables at FVTOCI	(21,268)	(7,574)
Investment income from holding investment in other equity instrument	3,839	5,233
Investment income from holding other non-current financial assets	66,799	34,001
Losses from derecognition of financial assets at amortized cost	(249,984)	(28,441)
Others	<u>1,353</u>	<u>1,172</u>
Total	<u>(198,337)</u>	<u>62,708</u>

22. 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 Government grants irrelevant to ordinary courses	6,166	43,729	6,166
Unpayable balances	32,289	48,204	32,289
Others	26,442	31,580	26,442
	38,362	80,275	38,362
Total	103,259	203,788	103,259

23. 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	12,660	17,345	12,660
Compensation and default payments	16,463	16,430	16,463
The separation and hand-over cost of "Special payables for water/power/gas supply and property"	7,140	394,463	7,140
Others	9,108	21,668	9,108
Total	45,371	449,906	45,371

24. Income tax expenses

(1) Income tax expenses

All amounts in RMB'000

Items	Amount for the prior period	Amount for the prior period
Current year tax expenses	1,235,086	1,388,831
Deferred tax expenses	(131,155)	(224,151)
Total	<u>1,103,931</u>	<u>1,164,680</u>

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

All amounts in RMB'000

Items	Amount for the prior period	Amount for the prior period
Total profit	4,882,189	4,663,648
Income tax expenses calculated at the statutory tax rate (25%)	1,220,547	1,165,912
Effect of difference between applicable tax rate and statutory tax rate	(346,042)	(357,361)
Income not subject to tax	(69,468)	(111,449)
Expenses not deductible for tax purposes	98,899	70,592
Utilization of tax losses and other temporary differences for which no deferred income tax assets were recognized previously	(58,633)	(277,122)
Tax losses and other temporary differences for which no deferred income tax assets were recognized	327,292	676,222
Others	(68,664)	(2,114)
Income tax expense	<u>1,103,931</u>	<u>1,164,680</u>

- (3) 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.

25. Other comprehensive income

All amounts in RMB'000

Items	Amount for the current period	Amount for the prior period
(I) Other comprehensive income that will not be reclassified to profit or loss		
1. Changes in re-measurement of defined benefit obligations	450	(133,654)
Less: Income tax effects on changes in re-measurement of defined benefit obligations	27	(8,277)
Subtotal	423	(125,377)
2. Fair value change of investments in other equity instruments	26,335	(114,754)
Less: Income tax effects arising from fair value change of investments in other equity instruments	5,709	(24,426)
Subtotal	20,626	(90,328)

Items	Amount for the current period	Amount for the prior period
(II) Other comprehensive income that may be reclassified subsequently to profit or loss		
1. Other comprehensive income that may be included to profit or loss under equity method	(30)	26
Less: Effect of income tax incurred by other comprehensive income under equity method	<u>—</u>	<u>—</u>
Subtotal	<u>(30)</u>	<u>26</u>
2. Changes in fair value of receivables at FVTOCI	(48,242)	—
Less: Effect of changes in fair value of receivables at FVTOCI on income tax	<u>—</u>	<u>—</u>
Subtotal	<u>(48,242)</u>	<u>—</u>
3. Exchange differences on translating foreign operations	<u>24,627</u>	<u>44,124</u>
Total	<u><u>(2,596)</u></u>	<u><u>(171,555)</u></u>

(V) EVENTS AFTER THE BALANCE SHEET DATE

As at the date of approval of the financial report, the Group has no significant events after the balance sheet date.

(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.

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

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

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

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

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

(2) Summarized financial information of reporting segment

(a) Segment information for the six months period ended 30 June 2019 and as at 30 June 2019

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	145,074,533	10,385,089	3,728,240	2,268,661	1,682,536	-	(4,121,680)	159,017,379
Including: Revenue from external customers	142,532,068	10,018,578	3,271,630	2,267,474	927,629	-	-	159,017,379
Revenue between segments	2,542,465	366,511	456,610	1,187	754,907	-	(4,121,680)	-
Operating costs	131,450,459	7,514,380	3,303,118	1,834,103	1,481,211	-	(4,059,779)	141,523,492
Including: External costs	128,929,914	7,183,974	2,849,469	1,833,831	726,304	-	-	141,523,492
Costs between segments	2,520,545	330,406	453,649	272	754,907	-	(4,059,779)	-
Operating profit/(loss)	3,088,191	1,822,902	27,691	(200,068)	219,996	(82,865)	(51,546)	4,824,301
Including: Interest income	178,133	677,875	14,609	12,458	575,581	-	(309,135)	1,149,521
Interest expenses	1,296,839	723,315	52,342	256,958	365,739	-	(309,135)	2,386,058
Investment loss from associates and joint ventures	(36,935)	(4,096)	-	-	(22)	-	-	(41,053)
Non-operating income	91,721	1,877	5,592	1,742	2,327	-	-	103,259
Non-operating expenses	29,887	4,090	2,659	1,085	7,650	-	-	45,371
Total profit/(loss)	3,150,025	1,820,689	30,624	(199,411)	214,673	(82,865)	(51,546)	4,882,189
Income tax expense	566,426	452,884	24,493	240	59,888	-	-	1,103,931
Net profit/(loss)	2,583,599	1,367,805	6,131	(199,651)	154,785	(82,865)	(51,546)	3,778,258
Assets	336,356,621	110,681,705	14,512,841	18,831,985	45,673,813	5,272,171	(77,353,781)	453,975,355
Including: Long-term equity investments in associates and joint ventures	14,811,589	911,047	-	69	13,350	-	-	15,736,055
Non-current assets	40,020,627	7,199,145	4,176,503	12,751,917	18,297,871	-	(13,080,890)	69,365,173
Liabilities	274,902,793	85,802,682	11,321,796	20,695,571	31,427,588	104,584	(75,788,988)	348,466,026
Depreciation and amortization expenses	935,393	67,320	135,536	431,580	69,408	-	-	1,639,237
Assets impairment losses and credit impairment losses	(765,482)	3,071	6,043	(26,471)	(10,651)	-	-	(793,490)
Increase in other non-current assets other than long-term equity investments	1,348,262	961,401	36,097	140,412	49,971	-	-	2,536,143

(b) Segment information for the six months period ended 30 June 2018 and as at 31 December 2018

All amounts in RMB'000

Items	Engineering contracting	Property development	Equipment manufacture	Resource development	Others	Unallocated amounts	Elimination between segments	Total
Operating revenue	111,238,227	10,487,722	3,262,958	3,213,019	1,666,228	–	(3,755,581)	126,112,573
Including: Revenue from external customers	108,630,509	10,453,117	2,877,162	3,212,223	939,562	–	–	126,112,573
Revenue between segments	2,607,718	34,605	385,796	796	726,666	–	(3,755,581)	–
Operating costs	100,528,921	7,392,194	2,895,060	2,024,821	1,475,654	–	(3,675,551)	110,641,099
Including: External costs	97,868,955	7,357,494	2,640,840	2,024,821	748,989	–	–	110,641,099
Costs between segments	2,659,966	34,700	254,220	–	726,665	–	(3,675,551)	–
Operating profit	2,454,789	1,855,416	14,710	498,230	235,415	(72,748)	(76,046)	4,909,766
Including: Interest income	410,598	360,298	13,438	6,832	494,194	–	(275,864)	1,009,496
Interest expenses	1,159,433	412,717	59,497	234,340	363,806	–	(275,864)	1,953,929
Investment income/(loss) from associates and joint ventures	(56,495)	20,177	–	–	8	–	–	(36,310)
Non-operating income	147,108	23,558	8,503	23,474	1,145	–	–	203,788
Non-operating expenses	429,908	12,841	7,021	20	116	–	–	449,906
Total profit	2,171,989	1,866,133	16,192	521,684	236,444	(72,748)	(76,046)	4,663,648
Income tax expense	521,311	561,988	32,607	2,109	46,665	–	–	1,164,680
Net profit/(loss)	1,650,678	1,304,145	(16,415)	519,575	189,779	(72,748)	(76,046)	3,498,968
Assets	321,127,986	108,477,535	14,008,040	19,065,275	49,347,710	5,152,432	(78,263,135)	438,915,843
Including: Long-term equity investments in associates and joint ventures	12,945,729	899,925	–	69	9,132	–	–	13,854,855
Non-current assets	38,629,845	6,295,225	4,356,268	13,080,148	14,576,224	–	(10,298,140)	66,639,570
Liabilities	260,953,390	84,202,395	10,879,884	20,861,702	35,455,276	111,387	(76,217,635)	336,246,399
Depreciation and amortization expenses	870,406	42,969	149,275	384,445	60,999	–	–	1,508,094
Assets impairment losses and credit impairment losses	(1,818,891)	(199,850)	15,255	(5,239)	(1,031)	–	–	(2,009,756)
Increase in other non-current assets other than long-term equity investments	816,341	1,752,710	28,536	116,544	8,094	–	–	2,722,225

(3) *Other notes*

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

All amounts in RMB'000

Operating revenue	Amount for the current period	Amount for the prior period
China	146,234,066	115,009,056
Other countries/regions	12,783,313	11,103,517
Total	159,017,379	126,112,573

All amounts in RMB'000

Non-current assets	30 June 2019	31 December 2018
China	58,159,303	55,212,193
Other countries/regions	11,205,870	11,427,377
Total	69,365,173	66,639,570

- (b) The dependency on major customers

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

2. *Earnings per share*

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

All amounts in RMB'000

	Amount for the current period	Amount for the prior period
Net profit for the current period attributable to shareholders of the Company	3,156,882	2,907,197
Including: Net profit from continuing operations	3,156,882	2,907,197
Less: Net profit belong to the perpetual bond holders	420,736	453,886
	<hr/>	<hr/>
Net profit for the current period attributable to ordinary shareholders	2,736,146	2,453,311
	<hr/> <hr/>	<hr/> <hr/>

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

All amounts in thousand shares

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

(3) *Earnings per share*

All amounts in RMB

	Amount for the current period	Amount for the prior period
Calculated based on net profit attributable to ordinary shareholders:		
Basic earnings per share	0.13	0.12
Diluted earnings per share	N/A	N/A
Calculated based on net profit from continuing operations attributable to ordinary shareholders:		
Basic earnings per share	0.13	0.12
Diluted earnings per share	N/A	N/A
Calculated based on net profit from discontinued operations attributable to ordinary shareholders:		
Basic earnings per share	N/A	N/A
Diluted earnings per share	N/A	N/A

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 of 2019. 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

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

(II) Changes in shares subject to selling restrictions

☐ Applicable ☒ Not applicable

(III) Particulars of Shareholders

Total number of Shareholders:

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

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

Shareholding of the top 10 Shareholders							
Name of Shareholder (full name)	Change during the Reporting Period	Number of Shares held at the end of the period	Percentage (%)	Number of Shares subject to selling restrictions	Pledged or frozen		Nature of Shareholder
					Status of Shares	Amount	
Da Cheng Fund – Agricultural Bank – Da Cheng China Securities and Financial Assets Management Program (大成基金–農業銀行–大成中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Harvest Fund – Agricultural Bank – Harvest China Securities and Financial Assets Management Program (嘉實基金–農業銀行–嘉實中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發基金–農業銀行–廣發中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Zhong Ou Fund – Agricultural Bank – Zhong Ou China Securities and Financial Assets Management Program (中歐基金–農業銀行–中歐中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
China AMC Fund – Agricultural Bank – China AMC China Securities and Financial Assets Management Program (華夏基金–農業銀行–華夏中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
Yinhua Fund – Agricultural Bank – Yinhua China Securities and Financial Assets Management Program (銀華基金–農業銀行–銀華中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
China Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基金–農業銀行–南方中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program (工銀瑞信基金–農業銀行–工銀瑞信中證金融資產管理計劃)	0	63,516,600	0.31	0	Nil	0	Others

Shareholding of top 10 Shareholders not subject to selling restrictions

Unit: share

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

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 Southern Fund – Agricultural Bank – China Southern China Securities and Financial Assets Management Program (南方基金–農業銀行–南方中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
ICBC Credit Suisse Fund – Agricultural Bank – ICBC Credit Suisse China Securities and Financial Assets Management Program (工銀瑞信基金–農業銀行–工銀瑞信中證金融資產管理計劃)	63,516,600	RMB-denominated ordinary shares	63,516,600
Explanations on the connections or parties acting in concert among the aforesaid Shareholders	The Company is not aware of the existence of any connections or parties acting in concert among the aforesaid Shareholders		
Explanations on the shareholders of preferred shares whose voting rights have been restored and the number of Shares held	Not applicable		

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

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

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

Save as disclosed in the section headed “Relevant Information on Corporate Bonds” below, 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, which were publicly issued by the Company, all listed on a stock exchange and had not yet expired as at the date of publication of this announcement, are set out as follows:

Unit: RMB100 million

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

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

Payment of interest principal amount of corporate bonds

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

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

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

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

Company held on 12 March 2019, and one employee representative Supervisor was elected at the employee representative meeting held on 11 March 2019, who jointly constituted the third session of the Supervisory Committee. Chairman of the Supervisory Committee was elected at the first meeting of the third session of the Supervisory Committee on 12 March 2019. The third session of the Supervisory Committee of the Company comprised three Supervisors with Cao Xiuyun as the Chairman, Zhang Yandi as a Supervisor and Chu Zhiqi as an employee representative Supervisor.

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

The Company has adopted the Model Code as set out in Appendix 10 to the Hong Kong Listing Rules 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 under the Board 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 2019.

XVIII.PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2019 will be available on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (<http://www.mccchina.com>) in early September 2019 and will be despatched to the Shareholders for reference.

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
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules” or “H Share Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Controlling Shareholder” or “CMGC”	China Metallurgical Group Corporation
“China Minmetals”	China Minmetals Corporation
“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 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
“Reporting Period”	from 1 January 2019 to 30 June 2019
“A Share(s)”	the domestic shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the SSE and traded in RMB

“H Share(s)”	the overseas listed foreign invested shares with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Hong Kong Stock Exchange and subscribed and traded in Hong Kong dollars
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong, the PRC
“USD”	United States dollars, the lawful currency of the United States
“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.

The 2019 interim financial statement of the Company has been reviewed by Deloitte Touche Tohmatsu Certified Public Accountants LLP, but has not been audited. Deloitte Touche Tohmatsu Certified Public Accountants LLP has issued the review report for the Company without qualified opinion.

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

By order of the board of directors
Metallurgical Corporation of China Ltd.*
Zeng Gang
Joint Company Secretary

Beijing, the PRC
30 August 2019

As at the date of this announcement, the Board of the Company comprises two executive directors: Mr. Guo Wenqing and Mr. Zhang Zhaoxiang; four independent non-executive directors: Mr. Zhou Jichang, Mr. Yu Hailong, Mr. Ren Xudong and Mr. Chan Ka Keung, Peter; and one non-executive director: Mr. Lin Jinzhen.

* For identification purposes only