



中國冶金科工股份有限公司
METALLURGICAL CORPORATION OF CHINA LTD.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 1618

2014 INTERIM REPORT



Contents

Chairman's Statement	2
Corporate Information	4
Company Profile	6
Financial Highlights	8
Directors' Report	12
Management Discussion and Analysis	22
Significant Events	46
Changes in Share Capital and Particulars of Shareholders	56
Directors, Supervisors, Senior Management and Staff	61
Corporate Governance	64
Report on Review of Interim Financial Statements	66
Consolidated and Company Balance Sheet	67
Consolidated and Company Income Statement	70
Consolidated and Company Statement of Cash Flows	72
Consolidated Statement of Changes in Equity	74
Company Statement of Changes in Equity	76
Notes to the Financial Statements	78
Definitions and Glossary of Technical Terms	270

Chairman's Statement

Guo Wenqing

Chairman



Chairman's Statement

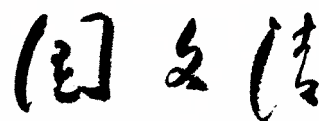
Dear Shareholders,

I am very grateful for your long-term care and support to the Company. I hereby present the Company's 2014 Interim Report to all shareholders on behalf of the board of directors of the Company.

In the first half of 2014, confronted with the complex economic conditions at home and abroad and continuous adverse situation in the iron and steel industry, we adhered to laying and enhancing our solid foundation with MCC spirit of "without wasting one day, without being lazy for one day" (一天也不耽誤、一天也不懈怠), emphasizing the development of "big environment, big platform, large market, large projects, major clients", integrating the advantages of leading core technologies, continuous innovation ability and irreplaceable whole metallurgical industry chain to continue to lead metallurgical development up to a higher level in China. The enterprise maintained strong growth momentum. During the Reporting Period, the value of newly-signed contracts was RMB178,280 million, representing a year-on-year increase of 62.1%; while the operating revenue amounted to RMB96,170 million, representing a year-on-year increase of 5.5%; Net profit attributable to shareholders of the Company amounted to RMB1,810 million, representing a year-on-year increase of 22.2%.

Looking forward to the second half of the year, the situation of the domestic economic development is still complex, but it also sees stable and positive development fundamentally. With the deepening of technical reform and upgrading as well as energy saving and consumption reduction in the iron and steel industry, we have new urgent needs for energy saving, environmental protection, overhaul and upgrading and technological innovation; Shanty towns transformation, real estate providing for the aged, "Silk Road economic belt region", "Silk Road on the Sea", "Jing-Jin-Ji Integration Region" and "Yangtze River economic belt region" and the country is vigorously implementing the new urbanization of "Integration, Intelligence, Green and Low Carbon", which effectively promotes the development in construction, environmental protection, real estate, transportation and other areas. Facing new opportunities, the Company will be in line with the high standard both globally and in the development of the metallurgical industry as a whole, upgrading and transformation in terms of environmental protection and energy saving, maintaining existing advantages, and strengthening its position as the world's largest contractor of metallurgical construction and service provider for the operation of metallurgical enterprises; Meanwhile, the Company will take the comparative advantages in the traditional metallurgical industry, focus on its development in strategically emerging industries such as energy saving, environmental protection and waste water treatment, etc, and create new competitive advantages in emerging sectors; It will utilise its special advantages and extensive experience in railway transportation and infrastructure to transform the way of operation through technology breakthroughs and management innovation, strongly elevate the core competitiveness and market shares of the non-steel business of the Company.

Dear valued Shareholders, the Company has been back on track for healthy development, and is now pushing forward to the ambitious goal of "building a better MCC". We are fully confident in our future, and hope our Shareholders can continue to support and understand MCC. The board of directors and the management of the Company will strive to devote themselves to the development, focus on the principal business in a conscientious and pragmatic manner and better reward the Shareholders and the society with brilliant performance.



Corporate Information

Company name (in Chinese)	中國冶金科工股份有限公司
Abbreviation in Chinese	中國中冶
Company name (in English)	Metallurgical Corporation of China Ltd.*
Abbreviation in English	MCC
Legal representative of the Company	Guo Wenqing
Registered address	28 Shuguang Xili Chaoyang District Beijing
First registration date of the Company	1 December 2008
Business address in the PRC	MCC Tower 28 Shuguang Xili, Chaoyang District Beijing, PRC
Place of business in Hong Kong	Room 3205, 32/F Office Tower, Convention Plaza 1 Harbour Road, Wanchai, Hong Kong
Website address of the Company	http://www.mccchina.com
E-mail	ir@mccchina.com
Company secretary	Kang Chengye
Contact address	MCC Tower 28 Shuguang Xili, Chaoyang District Beijing, PRC
Tel	86-10-59868666
Fax	86-10-59868999
Places of listing	The Stock Exchange of Hong Kong Limited, Shanghai Stock Exchange
Abbreviation of stock name	MCC
Stock codes	1618 (Hong Kong), 601618 (Shanghai)
H Share registrar and transfer office	Computershare Hong Kong Investor Services Limited

Corporate Information

Address of H Share registrar and transfer office	17M Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Auditor	Deloitte Touche Tohmatsu CPA LLP
Office address of the auditor	8th Floor, Tower W2, The Towers, Oriental Plaza 1 East Chang An Avenue Beijing, PRC
PRC legal advisor	Beijing Jiayuan Law Firm
Office address of the PRC legal advisor	F407, Ocean Plaza 158 Fuxingmennei Avenue Beijing, PRC
Hong Kong legal advisor	King & Wood Mallesons
Office address of the Hong Kong legal advisor	13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central, Hong Kong

* For identification purpose only

Company Profile

The Company was established by China Metallurgical Group Corporation and Baosteel Group Corporation as promoters on 1 December 2008 and was listed on the Shanghai Stock Exchange and the main board of The Stock Exchange of Hong Kong Limited on 21 September 2009 and 24 September 2009 respectively.

The Company is a large conglomerate operating in various specialised fields, across different industries and countries, with engineering and construction, equipment manufacturing, resources development, and property development as its principal businesses. The Company has strong construction capabilities in metallurgical engineering. The Company is one of the largest comprehensive companies of engineering and construction in the PRC and even in the world. MCC Group, which holds the Company as its core asset, ranked 354th among the 2014 Fortune Global 500 companies.

At present, the A Shares of the Company had been selected to be a constituent stock of, among others, CSI 300 Index, the CSI 800 Index, the SSE 380 Index, the CSI Central SOEs Index and the China 280 Index, while the H Shares had been selected to be a constituent stock of, among others, the Hang Seng China AH Smart Index, Bloomberg Industrial Global Index and S&P China BMI Index.

As at 30 June 2014, the Company has 51 principal wholly-owned or non-wholly owned subsidiaries (二級全資及控股子公司) both in the PRC and abroad, which are detailed as follows:

Central Research Institute of Building and Construction Co., Ltd., MCC Group	China Second Metallurgical Group Corporation Limited
Beijing MCC Equipment Research & Design Corporation Ltd.	China MCC 3 Group Co., Ltd.
China ENFI Engineering Co., Ltd.	China MCC 5 Group Co., Ltd.
MCC Capital Engineering & Research Incorporation Limited	MCC TianGong Group Corporation Limited
CISDI Group Corp. Ltd.	China MCC 17 Group Co., Ltd.
WISDRI Engineering & Research Incorporation Limited	China Metallurgical Construction Engineering Group Co., Ltd.
Huatian Engineering & Technology Corporation, MCC	China MCC 19 Group Co., Ltd.
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	China MCC 20 Group Co., Ltd.
Zhong Ye Chang Tian International Engineering Co., Ltd.	China 22 MCC Group Co., Ltd.
Beris Group Corporation	Shanghai Baoye Group Corp., Ltd.
Northern Engineering & Technology Corporation, MCC	China Huaye Group Co., Ltd.
Shen Kan Engineering & Technology Corporation, MCC	MCC Baosteel Technology Services Co., Ltd.
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	MCC Hi-Tech Engineering Co., Ltd.

Company Profile

China First Metallurgical Group Co., Ltd.

MCC Mining (Western Australia) Pty Ltd.

MCC Tongsin Resources Ltd.

MCC Australia Holding Pty Ltd.

MCC Minera Sierra Grande S.A

MCC-JJJ Mining Development Company Limited

Ramu NiCo Management (MCC) Limited

MCC Real Estate Group Co., Ltd.

MCC Finance Corporation Ltd.

MCC International Incorporation Ltd.

MCC Overseas Ltd.

China MCC International Economic and Trade Co., Ltd.

MCC (Guangxi) Mawu Expressway Construction &
Development Co., Ltd.

MCC Communication Engineering Technology Co., Ltd.

MCC Seawater Desalination Investment Co., Ltd.

MCC Holding (Hong Kong) Corporation Limited

MCC-SFRE Heavy Industry Equipment Co., Ltd.

Beijing Central Engineering and Research Incorporation
of Iron & Steel Industry Ltd.

Wuhan Iron and Steel Design & Research
Incorporation Limited

MCC Maanshan I&S Design and Research Institute Co., Ltd

Anshan Engineering & Research Incorporation of
Metallurgical Industry

Anshan Coking and Refractory Engineering
Consulting Corporation

Changsha Metallurgical Design & Research Institute Co., Ltd.

Shenyang Institute of Geotechnical
Investigation Corporation, MCC

China 13th Metallurgical Construction Corporation

Financial Highlights

I. OVERVIEW

The Company's financial position as at 30 June 2014 and the operating results for the six months ended 30 June 2014 are highlighted as follows:

- Operating revenue amounted to RMB96,167 million, representing a year-on-year increase of RMB5,013 million or 5.50% from RMB91,153 million for the same period of 2013.
- Operating profit amounted to RMB2,721 million, representing a year-on-year increase of RMB722 million or 36.13% from RMB1,999 million for the same period of 2013.
- Net profit amounted to RMB1,962 million, representing a year-on-year increase of RMB605 million or 44.51% from RMB1,357 million for the same period of 2013.
- Net profit attributable to shareholders of the Company amounted to RMB1,809 million, representing a year-on-year increase of RMB329 million or 22.22% from RMB1,480 million for the same period of 2013.
- Basic earnings per share amounted to RMB0.09, while basic earning per share amounted to RMB0.08 for the same period of 2013.
- As at 30 June 2014, the total assets amounted to RMB334,345 million, representing an increase of RMB11,461 million or 3.55% from RMB322,884 million as at 31 December 2013.
- As at 30 June 2014, the total equity attributable to shareholders amounted to RMB55,683 million, representing an increase of RMB618 million or 1.12% from RMB55,065 million as at 31 December 2013.
- Value of newly-signed contracts amounted to RMB178,280 million, representing an increase of RMB68,280 million or 62.1% from RMB110,000 million for the same period of 2013.

Financial Highlights

II. REVENUE FROM PRINCIPAL BUSINESS SEGMENTS

During the Reporting Period, the Company:

- Engineering and construction business

Operating revenue amounted to RMB80,747 million, representing an increase of RMB5,127 million or 6.78% from RMB75,620million for the same period of 2013.

- Equipment manufacturing business

Operating revenue amounted to RMB4,216 million, representing a decrease of RMB347 million or 7.61% from RMB4,563 million for the same period of 2013.

- Resources development business

Operating revenue amounted to RMB1,941 million, representing an increase of RMB577 million or 42.24% from RMB1,364 million for the same period of 2013.

- Property development business

Operating revenue amounted to RMB9,284 million, representing a decrease of RMB127 million or 1.36% from RMB9,411 million for the same period of 2013.

- Other businesses

Operating revenue amounted to RMB1,470 million, representing an increase of RMB122 million or 8.99% from RMB1,348 million for the same period of 2013.

Note: All of the above revenues represent the data before elimination of inter-segment transactions.

Financial Highlights

III. SUMMARY OF FINANCIAL STATEMENTS

Summary of financial statements is prepared in accordance with the PRC GAAP

Consolidated income statement for the six months ended 30 June 2014

Unit: '000 Currency: RMB

Items	Notes	From January to June 2014 Consolidated (Unaudited)	From January to June 2013 Consolidated (Unaudited)
I. Total operating revenue		96,166,552	91,153,210
Including: Operating revenue	V(48), XV(12)	96,166,552	91,153,210
II. Total operating costs		93,981,253	89,680,970
Including: Operating costs	V(48), XV(12)	84,296,869	79,185,856
Business tax and levies	V(49)	2,397,811	2,571,614
Selling expenses	V(50)	689,284	711,061
Administrative expenses	V(51)	3,871,026	4,108,741
Financial expenses	V(52)	1,632,237	2,507,110
Impairment losses of assets	V(55), XV(13)	1,094,026	596,588
Add: Gains arising from changes in fair value	V(53)	(5,244)	(1,838)
Investment income	V(54)	541,072	528,534
Including: Share of profit of associates and joint ventures		(124,242)	(860)
III. Operating profit		2,721,127	1,998,936
Add: Non-operating income	V(56)	561,177	469,461
Less: Non-operating expenses	V(57)	104,691	70,988
Including: loss on disposal of non-current assets		20,513	12,446
IV. Total profit		3,177,613	2,397,409
Less: Income tax expenses	V(58)	1,216,107	1,040,104
V. Net profit		1,961,506	1,357,305
Net profit attributable to the shareholders of the Parent		1,809,335	1,480,411
Profit or loss of minority interests		152,171	(123,106)

Financial Highlights

Items	Notes	From January to June 2014 Consolidated (Unaudited)	From January to June 2013 Consolidated (Unaudited)
VI. Earnings per share	V(59)		
Basic earnings per share (RMB/share)		0.09	0.08
Diluted earnings per share (RMB/share)		—	—
VII. Other comprehensive income	V(60)	(257,367)	194,786
(I) Net effect of items that will not be reclassified subsequently to profit or loss re-measurement of defined benefit plan		(110,081)	(1,123)
(II) Net effect of items that will be reclassified subsequently to profit or loss subject to satisfaction of conditions			
Profit(loss) from available-for-sale financial assets		4,759	(51,059)
Foreign currency translation differences of financial statements		(152,045)	246,869
Share of other comprehensive income of investees under equity method		—	99
VIII. Total comprehensive income		1,704,139	1,552,091
Total comprehensive income attributable to shareholders of the Parent		1,555,099	1,685,402
Total comprehensive income attributable to minority shareholders		149,040	(133,311)

Directors' Report

I. INVESTMENT ANALYSIS

(I) External Equity Investments

1. Securities investment

Unit: RMB

No.	Stock variety	Stock code	Stock abbreviation	Initial investment amount (RMB)	Number of shares held (Shares)	Carrying amount at the end of the period (RMB)	Percentage in securities investment held at the end of the period (%)	Gain or loss incurred in the Reporting Period (RMB)
1	Shares	600787	CMST Development Corp (中儲股份)	498,768	57,528	751,891	100	160,503
Total				498,768	/	751,891	100	160,503

2. Equity interests in other listed companies held by the Company

Unit: RMB'000

Stock code	Stock abbreviation	Initial investment cost	Shareholding percentage at the beginning of the period (%)	Shareholding percentage at the end of the period (%)	Carrying value at the end of the period	Gain or loss incurred in the Reporting Period	Changes in owners' equity during the Reporting Period	Account category	Source of shares
601328	Bank of Communications	92,839	0.06	0.06	173,024	0	1,784	Available-for-sale financial assets	Partly are initial shares and partly are purchased from the secondary market
000939	Kaidi Electric Power	2,562	1.11	1.11	77,602	0	12,899	Available-for-sale financial assets	Initial shares
600643	AJ Corporation	2,166	0.15	0.15	14,072	965	-3,307	Available-for-sale financial assets	Initial shares
600729	Chongqing Department Store	450	0.11	0.11	9,035	0	-1,036	Available-for-sale financial assets	Initial shares
000709	Hebei Steel	5,800	0.02	0.02	5,293	0	-398	Available-for-sale financial assets	Initial shares
600117	Xining Special Steel	1,400	0.20	0.20	4,690	0	-762	Available-for-sale financial assets	Initial shares
600322	Tianjin Reality Development	1,600	0.09	0.09	3,420	0	100	Available-for-sale financial assets	Initial shares
600282	Nanjing Iron & Steel Corp	530	0.03	0	0	1,220	0	Available-for-sale financial assets	Initial shares
000005	Fountain	420	0.04	0.04	843	0	-90	Available-for-sale financial assets	Initial shares
600665	Tande	1,122	0.02	0.02	481	0	-34	Available-for-sale financial assets	Initial shares
Total		108,889	/	/	288,460	2,185	9,156	/	/

Directors' Report

3. Equity interests in financial companies held by the Company

Unit: RMB

Name of investee	Initial investment cost	Shareholding percentage		Carrying value at the end of the period	Gain or loss incurred in the Reporting Period		Account category	Source of shares
		at the beginning of the period (%)	at the end of the period (%)		Period	Period		
Changcheng Life Insurance Co., Ltd. (長城人壽保險股份有限公司)	30,000,000	1.52	1.52	30,000,000	0	Available-for-sale financial assets	By acquisition	
Hankou Bank Company Limited (漢口銀行股份有限公司)	27,696,000	0.74	0.74	27,696,000	91,357	Available-for-sale financial assets	By acquisition	
Baosteel Group Finance Co., Ltd. (寶鋼集團財務有限責任公司)	10,497,680	2.20	2.20	10,497,680	1,443,200	Available-for-sale financial assets	By acquisition	
Pansteel Group Financial Company (攀鋼集團財務有限公司)	4,416,900	0.26	0.01	200,000	1,492,340	Available-for-sale financial assets	By acquisition	
Wusteel Group Financial Company (武鋼集團財務公司)	2,000,000	0.13	0.13	2,000,000	0	Available-for-sale financial assets	By acquisition	
Shenyin & Wanguo Securities Co. Ltd. (申銀萬國證券股份有限公司)	2,000,000	0.02	0.02	2,000,000	0	Available-for-sale financial assets	By acquisition	
Nanjing Bank of Communications (南京交通銀行)	563,096	1.00	1.00	563,096	0	Available-for-sale financial assets	By acquisition	
Total	77,173,676	/	/	72,956,776	3,026,897	/	/	

Directors' Report

(II) Entrusted Asset Management and Derivative Investments of Non-financial Institutions

1. Entrusted Asset Management

During the Reporting Period, there was no entrusted asset management in the Company.

2. Entrusted Loans

Unit: 0'000 Currency: RMB

No.	Name of the lender (the lending party)	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan	Term of loan	Annual interest rate of loan (%)	Use of proceeds (Use of borrowing)	Pledged asset or pledger	Is it overdue	Whether it is a connected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected revenue	Investment gain/loss during the Reporting Period	Related note and explanation
1	Metallurgical Corporation of China Ltd.	Xiangyang Erli Green Energy Company Ltd. (襄陽恩菲環保能源有限公司)	Subsidiary	2,581	2013/3/28 to 2016/3/27	4.305	Waste incineration power generation	None	No	No	No	No	No	338.0	55.9	
2	Metallurgical Corporation of China Ltd.	Wuxi Xidong Green Energy Company Ltd. (無錫錫東環保能源有限公司)	Subsidiary	2,092	2013/3/28 to 2016/3/27	4.305	Waste incineration power generation	None	No	No	No	No	No	273.9	45.3	
3	Metallurgical Corporation of China Ltd.	Beijing MCC Equipment Research & Design Corporation Ltd.	Subsidiary	1,167	2013/3/28 to 2016/3/27	4.305	Engineering segment	None	No	No	No	No	No	152.8	25.3	
4	Metallurgical Corporation of China Ltd.	MCC-SFRE Heavy Industry Equipment Co., Ltd.	Subsidiary	547	2013/3/28 to 2016/3/27	4.305	Manufacturing segment	None	No	No	No	No	No	71.6	11.8	
5	Metallurgical Corporation of China Ltd.	Central Research Institute of Building and Construction Co., Ltd., MCC Group	Subsidiary	1,511	2013/3/28 to 2016/3/27	4.305	Engineering segment	None	No	No	No	No	No	197.9	32.7	
6	Metallurgical Corporation of China Ltd.	MCC-JJJ Mining Development Company Limited	Subsidiary	162,500	2009/1/1/8 to 2017/1/1/17	5.94	Mining Development	None	No	No	No	No	Yes	78,319.3	4,879.8	Note 1
7	Huatian Engineering & Technology Corporation, MCC	Ma'anshan MCC Water Service Company Limited (馬鞍山中冶水務有限公司)	Subsidiary	1,750	2012/8/31 to 2015/8/30	6.15	Environmental works	None	No	No	No	No	No	322.9	53.82	
8	Huatian Engineering & Technology Corporation, MCC	Lu'an MCC Water Service Company Limited (六安市中冶水務有限公司)	Subsidiary	2,000	2012/8/31 to 2015/8/30	6.15	Environmental works	None	No	No	No	No	No	369.0	61.50	
9	Huatian Engineering & Technology Corporation, MCC	Lai'an MCC Huatian Water Service Company Limited (萊安中冶華天水務有限公司)	Subsidiary	3,000	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	461.3	92.25	
10	Huatian Engineering & Technology Corporation, MCC	Tianchang MCC Huatian Water Service Company Limited (天長市中冶華天水務有限公司)	Subsidiary	2,200	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	338.3	67.65	
11	Huatian Engineering & Technology Corporation, MCC	Xuancheng MCC Huatian Water Service Company Limited (宣城中冶華天水務有限公司)	Subsidiary	2,300	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	353.6	70.73	

Directors' Report

No.	Name of the lender (the lending party)	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan	Term of loan	Annual interest rate of loan (%)	Use of proceeds (Use of borrowing)	Pledged asset or pledger	Is it overdue	Whether it is a connected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected revenue	Investment gain/loss during the Reporting Period	Related note and explanation
12	Huatian Engineering & Technology Corporation, MCC	Northern Shouguang MCC Water Service Company Limited (寿光市城北中冶水务有限公司)	Subsidiary	1,500	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	230.6	46.13	
13	Huatian Engineering & Technology Corporation, MCC	Northern Shouguang MCC Water Service Company Limited (寿光市城北中冶水务有限公司)	Subsidiary	1,000	2013/8/14 to 2016/8/13	6.15	Environmental works	None	No	No	No	No	No	153.8	30.75	
14	MCC Capital Engineering & Research Incorporation Limited	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Joint Venture	8,288	2012/06/28 to 2014/06/28	6.00	Manufacturing segment	None	No	No	No	No	No	994.5	261.1	
15	MCC Capital Engineering & Research Incorporation Limited	MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Joint Venture	9,500	2013/05/29 to 2014/05/29	5.60	Manufacturing segment	None	No	No	No	No	No	532.0	235.0	
16	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,500	2011/1/5 to 2014/1/31	6.40	Engineering segment	None	No	No	No	No	No	283.0	8.1	
17	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,500	2011/5/10 to 2014/1/31	6.40	Engineering segment	None	No	No	No	No	No	273.3	8.1	
18	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,200	2011/6/15 to 2015/1/31	6.40	Engineering segment	None	No	No	Yes	No	No	249.2	38.9	Note 2
19	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,500	2011/8/16 to 2015/1/31	6.40	Engineering segment	None	No	No	Yes	No	No	318.8	48.7	Note 2
20	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	800	2011/1/024 to 2015/1/31	6.40	Engineering segment	None	No	No	Yes	No	No	172.6	26.0	Note 2
21	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,000	2011/1/025 to 2015/1/31	6.40	Engineering segment	None	No	No	Yes	No	No	222.3	32.4	Note 2
22	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	800	2011/1/1/3 to 2015/1/31	6.40	Engineering segment	None	No	No	Yes	No	No	164.3	26.0	Note 2
23	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	200	2011/1/1/21 to 2015/1/31	6.40	Engineering segment	None	No	No	Yes	No	No	45.6	6.5	Note 2
24	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	550	2011/7/2/16 to 2015/1/31	6.40	Engineering segment	None	No	No	Yes	No	No	108.3	17.8	Note 2
25	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	470	2012/1/1/6 to 2015/1/31	6.15	Engineering segment	None	No	No	Yes	No	No	93.8	14.7	Note 2

Directors' Report

No.	Name of the lender (the lending party)	Name of the borrower	Relationship of the borrower with the listed company	Amount of entrusted loan	Term of loan	Annual interest rate of loan (%)	Use of proceeds (Use of borrowing)	Pledged asset or pledger	Is it overdue	Whether it is a connected transaction	Whether the payment is extended	Is it involved in litigation	Whether it is financed by the proceeds raised	Expected revenue	Investment gain/loss during the Reporting Period	Related note and explanation
26	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	280	2012/3/19 to 2015/1/31	6.15	Engineering segment	None	No	No	Yes	No	No	52.8	8.7	Note 2
27	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	400	2012/5/24 to 2015/1/31	6.15	Engineering segment	None	No	No	Yes	No	No	70.9	12.5	Note 2
28	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,000	2012/6/19 to 2015/1/31	6.15	Engineering segment	None	No	No	Yes	No	No	130.5	31.2	Note 2
29	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	320	2012/11/20 to 2015/1/31	6.15	Engineering segment	None	No	No	Yes	No	No	44.4	10.0	Note 2
30	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	700	2012/12/20 to 2015/1/31	6.15	Engineering	None	No	No	Yes	No	No	97.1	21.8	Note 2
31	MCC Baosteel Technology Services Co., Ltd.	Weifang MCC Infrastructure Construction Investment Co., Ltd. (潍坊中冶基础设施投资建设有限公司)	Subsidiary	1,000	2013/12/13 to 2015/5/31	6.15	Engineering	None	No	No	Yes	No	No	68.4	1.4	Note 2
32	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Shanghai Baoxuan Metallic Products Co., Ltd. (上海寶信金屬製品有限公司)	Subsidiary	500	2013/6/14 to 2014/6/13	6.00	Manufacturing segment	None	No	No	No	No	No	30.5	15.4	
33	Shanghai Baorong International Container Co., Ltd. (上海寶榮國際集裝箱有限公司)	Equipment Engineering of Shanghai No.5 Steel Co., Ltd. (上海五鋼設備工程有限公司)	Subsidiary	2,000	2013/9/26 to 2014/9/25	5.40	Manufacturing segment	None	No	No	Yes	No	No	108.0	55.3	
34	Shanghai Baoye Group Corp., Ltd.	Shaoxing Zhongye Xinyu Real Estate Company Limited (紹興中冶新城置業有限公司)	Subsidiary	25,000	2012/9/26 to 2014/9/26	6.60	Real Estate	None	No	No	No	No	No	3,337.0	829.6	
35	China Erifi Engineering Corporation (中國恩菲工程技術有限公司)	Wuxi Xidong Green Energy Company Ltd. (無錫錫業環保能源有限公司)	Subsidiary	11,222	2013/6/14 to 2014/6/13	4.31	Waste incineration power generation	None	No	No	No	No	No	1,449.3	244.2	
36	China Erifi Engineering Corporation (中國恩菲工程技術有限公司)	Luoyang Silicon High Technology Company Limited (洛陽中硅高科技有限公司)	Subsidiary	4,800	2013/6/21 to 2014/6/20	4.20	Resources segment	None	No	No	No	No	No	201.6	101.4	
37	China Erifi Engineering Corporation (中國恩菲工程技術有限公司)	Luoyang Silicon High Technology Limited (洛陽中硅高科技有限公司)	Subsidiary	4,800	2014/6/25 to 2016/6/24	4.31	Resources segment	None	No	No	No	No	No	413.3	0	
38	MCC Real Estate Group Co., Ltd.	Beijing Zhongye Minghong Real Estate Co., Ltd. (北京中冶名弘置業有限公司)	Subsidiary	100,000	2013/7/5 to 2015/7/5	7.00	Real Estate	None	No	No	No	No	No	13,700.0	3,500.0	

Note1: As disclosed in the Company's A Share prospectus, proceeds raised through the A Share offering were earmarked for the Ramu nickel laterite mine project by way of entrusted loans.

Note2: The due date of the entrusted loan offered by MCC Baosteel Technology Services Co., Ltd. to its subsidiary Weifang MCC Infrastructure Construction Investment Co., Ltd. was 31 January 2014, which will be extended one year to 31 January 2015.

Directors' Report

(III) Use of Proceeds and Projects Undertaken

1. Overall status of the use of proceeds

(1) Overall status of the use of proceeds

The Company raised net proceeds of HK\$15,585 million in total through the H Share offering on 24 September 2009. During the Reporting Period, the Company has used proceeds of HK\$97 million raised through the H Share offering in aggregate. As at the end of the Reporting Period, the used H Share proceeds amounted to HK\$12,879 million in aggregate, while the balance of the unused H Share proceeds amounted to HK\$2,721 million (including deposit interests, etc). The H Share proceeds which remain temporarily unused have been deposited in the account designated for raised proceeds of the Company, and will continue to be invested in the relevant projects undertaken by the Company.

The Company raised total net proceeds of RMB18,359 million through the A Share offering in September 2009. During the Reporting Period, the proceeds raised through the A Share offering used by the Company amounted to RMB13 million. As at the end of the Reporting Period, the used A Share proceeds amounted to RMB17,421 million in aggregate, while the unused portion amounted to RMB1,192 million (including interest accrued from proceeds deposited in the bank and unused proceeds for temporary replenishment of the Company's working capital). Except for temporarily replenishing the working capital, the A Share proceeds which remain temporarily unused have been deposited in the account designated for raised proceeds of the Company, and will continue to be invested in the relevant projects undertaken by the Company.

(2) Unused A Share proceeds during the Reporting Period to temporarily replenish the working capital and its repayment

Upon consideration and approval at the 48th meeting of the first session of the Board held by the Company in March 2013, the Company approved the utilisation of a fraction of the unused A Share proceeds of not more than RMB3,240 million to temporarily replenish working capital of the Company for a period of not more than 1 year (for details, please refer to the Company's overseas regulatory announcement disclosed on 28 March 2013). Pursuant to the aforementioned resolution, the Company and its subsidiaries had utilised RMB3,237 million of aggregate unused A Share proceeds to temporarily replenish working capital. Except for the part which was changed into permanent replenishment of working capital as approved by the general meeting, the remaining RMB1,046 million was fully returned to the account designated for A Share proceeds on 20 March 2014.

In March 2014, as considered and approved at the 65th meeting of the first session of the Board of the Company, certain part of the unused A Share proceeds were approved to replenish the working capital temporarily, with the total amount of no more than RMB1,161.9 million and the term of no more than one year (for details, please see the overseas regulatory announcement disclosed by the Company on 28 March 2014). In accordance with the above resolution, as at the end of the Reporting Period, the Company had used the unused A Share proceeds of RMB1,161 million to replenish the working capital temporarily.

Directors' Report

2. Proceeds for projects undertaken

(1) Projects undertaken which were financed by H Share proceeds

Unit: 0'000 Currency: HKD

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Actual amount of proceeds invested	Progress of utilisation of proceeds	Revenue generated from project	Explanation of projects falling behind schedule or failing to achieve returns as expected
Overseas resources development projects	No	Approximately 32% of H Share proceeds	229,527.83	In progress	Cannot be confirmed until completion of the project	Injection period
Overseas construction projects	No	Approximately 45% of H Share proceeds	700,000.00	Completed	Cannot be confirmed until completion of the project	Injection period
Potential acquisitions of overseas resources	No	Approximately 0.1% of H Share proceeds	1,062.62	Completed	Cannot be confirmed until completion of the project	Injection period
Repayment of bank loans and replenishment of working capital	No	Approximately 11% of H Share proceeds	174,000.00	Completed	N/A	N/A
Working capital of overseas engineering projects ^(Note 1)	Yes	Approximately 12% of H Share proceeds	183,330.39	Completed	Cannot be confirmed until completion of the project	Injection period
Sub-total			1,287,920.84			

Note 1: As considered and approved by the 2013 first extraordinary general meeting convened on 22 November 2013, the H Share proceeds of approximately HK\$1,833 million was changed into the working capital of overseas engineering contract projects.

Directors' Report

(2) Projects undertaken which were financed by A Share proceeds

Unit: 0'000 Currency: RMB

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Amount of proceeds		Is it up to schedule	Project progress	Estimated returns	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve return as expected
			invested during the year	Actual amount of proceeds invested						
Afghanistan Aynak copper mine project	No	85,000.00	0.00	0.00	No	0.00%	Internal rate of return of 11.01%	Cannot be confirmed until completion of the project	—	As at the end of the Reporting Period, the amendments to the mining contract with the Afghanistan government were still undergoing. As the security situation of the project further deteriorated, the Company has evacuated the Chinese technical staff at the scene of the project to the PRC for safety reasons, except for some Chinese security staff as necessary.
Ramu nickel laterite mine project	No	250,000.00	0.00	250,000.04 ^(Note 1)	Yes	100%	Internal rate of return of 12.67%	Total profit accumulated to RMB-1,860.171 million	No	The project was in the preliminary stage of production, with the productivity raised from 50% at the beginning of the year to 70% of the planned productivity, but it has not realised the scale economies effect. Although the productivity of this year has increased month by month and the international nickel price has risen, the project is still at a loss.
The innovation base project of the National Steel Structures Engineering Technology Research Centre	Yes	55,453.95 ^(Note 2)	68.15	42,637.03	No	76.89%	N/A	N/A	N/A	Project is in progress, and actual proceeds used were below the planned amount.
Equipment purchase for engineering, contracting and research and development	Yes	187,036.12 ^(Note 4)	0.00	199,304.73 ^(Note 1)	No	100%	Internal rate of return of 15.99%	N/A	N/A	
The new project on the manufacturing of forged steel rolling mill and the expansion of the hot processing production capacity in Fuping County, Shaanxi Province	No	64,300.00	0.00	64,308.53 ^(Note 1)	Yes	100%	Internal rate of return of 10.65%	Cannot be confirmed until the project ramps up to targeted production	N/A	The adjustment and trial of all of the equipment was completed. The trial production went well, but the project has not been ramped up to its production capacity, the revenue of which cannot be determined yet.
The project in Caofeidian, Tangshan in relation to 500,000 tons of cold bend steel and steel structures project	No	44,000.00	0.00	44,044.10 ^(Note 1)	Yes	100%	Internal rate of return of 17.60%	Profit accumulated to RMB19,669,900	No	Affected by the market environment, the price of products was low, while the cost was high. Thus, the project was not efficient.
The project in relation to an annual production of 400,000 tons of ERW welded pipes by MCC Liaoning Dragon Pipe Industries Co., Ltd. (中冶辽宁德隆钢管有限公司)	Yes	20,436.04 ^(Note 5)	0.00	20,667.54 ^(Note 1)	Yes	100%	Internal rate of return of 20.90%	Profit accumulated to RMB-1,950,000	No	Due to the bad market environment, the production and operation situation as well as each operational indicator has not met the expectation.
The project in relation to the production base for an annual production of 100,000 tons of quality steel structures (a production line for wind tower tube) in Anshan, Liaoning	Yes	0.00 ^(Note 3)	0.00	0.00	—	—	—	—	—	Upon approval at the 2010 annual general meeting, this project had been entirely substituted for "large multi-ram die forgings and heavy equipment automation industrial base construction project".

Directors' Report

Name of the project undertaken	Any changes to the project	Amount of proceeds to be invested	Amount of proceeds invested during the year	Actual amount of proceeds invested	Is it up to schedule	Project progress	Estimated returns	Revenue generated	Is it in line with estimated returns	Explanation of projects falling behind schedule or failing to achieve return as expected
The land development project in Gaohang Town, Pudong	No	58,800.00	0.00	58,800.00	Yes	100%	Internal rate of return of 16.35%	Profit accumulated to RMB575,750,800	Yes	
The land development project of old town area renovation work (Phase II) in Yuan Yang Old Town, Jing Kai Yuan, North New District, Chongqing	No	50,000.00	0.00	50,693.73 ^{Note 1)}	Yes	100%	Internal rate of return of 29.07%	Profit accumulated to RMB492,659,800	Yes	
Large multi-ram die forgings and heavy equipment automation industrial base construction project	No	48,200.00 ^{Note 3)}	1231.54	39,001.18	No	80.92%	Internal rate of return of 17.10%	Profit accumulated to RMB3,436,300	No	The pre-stressed and wire twined multi-directional forging hydraulic pressure machine produced by multi-ram die forgings filled the gap in the country and the 40MN, 120MN and 300 MN multi-ram forging hydraulic pressure machines in the project were constructed step by step. The production line of 120MN multi-ram forging hydraulic pressure machine has completed joint testing and is undergoing hot trial.
Replenishment of working capital and repayment of bank loans	No	821,573.89 ^{Note 2)} 2,451	0.00	821,573.89	N/A	N/A	N/A	N/A	N/A	
Replenishment of working capital and repayment of bank loans by oversubscription proceeds	No	151,097.24	0.00	151,097.24	N/A	N/A	N/A	N/A	N/A	
Sub-total		1,835,897.24	1,299.69	1,742,128.01						

Note 1: The actual amount of proceeds invested in the projects, in excess of proceeds to be invested, was the interest generated from the respective account designated for raised proceeds.

Note 2: Upon consideration and approval at the 2010 annual general meeting held on 17 June 2011, it was agreed that the use of RMB750 million out of RMB1,500 million, the proceeds intended to be invested in the innovation base project of the National Steel Structures Engineering Technology Research Center be changed as replenishment of working capital of the Company. As considered and approved at the 2013 first extraordinary general meeting convened on 22 November 2013, the principal and interest of the proceeds to be used after 2014 for the project were changed into replenishment of working capital.

Note 3: Upon consideration and approval at the 2010 annual general meeting held on 17 June 2011, it was agreed that the project in relation to the production base for an annual production of 100,000 tons of quality steel structures (a production line for wind tower tube) in Anshan, Liaoning be entirely substituted for the large multi-ram die forgings and heavy equipment automation industrial base construction project.

Note 4: As considered and approved at the 2013 first extraordinary general meeting convened on 22 November 2013, it was agreed that the remaining proceeds and interest of the project be changed into replenishment of working capital of each relevant subsidiary.

Note 5: As considered and approved at the 2013 first extraordinary general meeting convened on 22 November 2013, it was agreed that the remaining A Share proceeds and interest of the fixed assets investment in the project be changed into working capital.

(IV) Use of major non-proceeds investments

During the Reporting Period, the Company had no major project not invested by proceeds with total investment exceeding 10% of its audited net assets as at the end of the previous year.

Directors' Report

II. IMPLEMENTATION OR ADJUSTMENT OF THE PROFIT DISTRIBUTION PLAN

(I) Implementation of the Profit Distribution Plan during the Reporting Period

After the consideration and approval of the 2013 Annual General Meeting, the 2013 Profit Distribution Plan of the Company: based on the total share capital of 19,110,000,000 shares of the Company after making provision for statutory reserve as of 31 December 2013, the Company made a payment of cash dividend of RMB0.61 (tax inclusive) per 10 shares to all Shareholders. The announcement of 2013 A share Profit Distribution Plan was published on China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily and the website of the Shanghai Stock Exchange on 9 July 2014. The announcement of the Distribution of 2013 H Shares final dividends was published on the website of Hong Kong Stock Exchange on 11 July 2014. As at the disclosure date of the report, the 2013 annual profit distribution of the Company had been completed.

(II) Preliminary proposal for profit distribution or transfer of capital reserve to share capital for the half year

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.

III. ANALYSIS ON CORE COMPETENCY

The Company, a metallurgical engineering and construction contractor with the largest domestic market share, the longest history in specialized operation and the strongest capacity in the professional designing, is the leader in the metallurgical construction field in the PRC. Possessing some top designing institutes in the country, such as MCC Capital Engineering & Research Incorporation Limited (中冶京誠工程技術有限公司), WISDRI Engineering & Research Incorporation Limited, CISDI Group Corp. Ltd. (中冶賽迪集團有限公司) and China Enfi Engineering Corporation (中國恩菲工程技術有限公司), ACRE Coking & Refractory Engineering Consulting Corporation, MCC, the Company excels in technological innovation and industrialisation. Leveraging on the extensive experience and technological strength accumulated in the metallurgical engineering and construction field, the Company proactively develops the business in other non-metallurgical engineering and construction fields, and utilises relevant technologies as connection to achieve synergistic development with different sectors supplementing and promoting each other.

During the Reporting Period, core competency of the Company has not experienced major changes.

Management Discussion and Analysis

Based on the audited financial report for the first half of 2014, the management conducted discussion and analysis in relation to the financial position, profitability, cash flow of the Company during the Reporting Period. Unless otherwise indicated, all the financial information in the discussion and analysis set out in this chapter refers to the financial data and information in the consolidated report in the Reporting Period.

Some contents in this chapter may contain certain prospective description. Such prospective description contains some uncertainties, which may be different from the ultimate operating results of the Company. Investors are advised to refer to the information in the relevant financial statements and its notes set out in the interim report when reading this chapter.

I. RISK FACTORS

The financial position and operating results of the Company are affected comprehensively by global and national macro-economies, the development and relative adjustment and control measures of the industries we are in, as well as the implementation of fiscal and monetary policies of the State:

(I) Trends of Global and National Macroeconomies

Operations of each business of the Company are influenced by global and national macro-economic environment. Global and national macroeconomic trends may affect various business processes including purchasing, production and sales, and hence lead to fluctuation of the Company's operating results. Business revenue of the Company is mainly generated at home and the performance of the Company's business operations may vary in different economic cycles of the country.

(II) Industry Policies and Changes in both Domestic and Overseas Market Demands

Different businesses of the Company including engineering and construction, equipment manufacturing, resources development and property development are all under the influence of relevant industry policies. The State's recent implementation of industrial control on the steel industry, adjustment and reform plan on the steel industry and the equipment manufacturing industry, and industry policies on resources development and property development, as well as industrial cyclical fluctuations and changes in states of operation of upstream and downstream companies will all considerably influence and guide the future business focus and strategic planning of the Company, hence also affecting the financial position and operating results of the Company. Engineering and construction services provided by the Company may be affected by changes in industry policies which influence the overall demand. Metallurgical equipment, products of resources development and residential properties might also be affected by changes in demand in related markets and hence influencing the financial position of the Company.

Points 1 and 2 mentioned above are the major risk factors that influence the results of the Company in the first half of 2014.

Management Discussion and Analysis

(III) Changes in State Policy on Taxation and Exchange Rate

The changes in policy on taxation and exchange rate will affect the operating results of the Company:

1. The Influence of Changes in Policy on Taxation

The changes in State policy on taxation will affect the financial position of the Company by affecting the tax burdens of the Company and its subsidiaries.

Some of the subsidiaries of the Company are benefiting from the tax incentive policy for the development of China's west, the tax incentive policy for coastal development zones, special economic zones and new and high technology companies, as well as resource tax, property development tax and the "operation-to-value-added tax programme (營改增)" of the construction industry, which all can be affected by changes in State policy on taxation. Changes in relevant tax incentive policies may affect the financial performance of the Company.

2. The Influence of Monetary Policy

Part of the business revenue of the Company is from overseas markets. Changes in exchange rates may expose the Company's overseas business revenue to exchange rate risk.

Meanwhile, any adjustment on bank reserve requirement ratio or changes in deposit and loan rates will affect the financing cost as well as interest income of the Company.

(IV) Overseas Tax Policies and Changes

The Company operates in many countries and regions overseas and is subject to various taxes. Due to the facts that the tax environment is different in different regions and that the regulations are complex concerning various tax items including corporate income tax, foreign contractor tax, personal income tax and poll tax, etc., the overseas operation of the Company may pose the Company under the risks incurred by the overseas tax policies and changes. In the meantime, the Company may need to make corresponding judgment for the uncertainties brought by tax treatment such as the transactions and other matters of certain operating activities.

(V) Changes in Major Raw Material Prices

The Company's business in engineering and construction, resources development and property development, all involve using raw materials including steel, wood, cement, explosive initiator, waterproof material, geomaterial and addition agent. The Company's business in equipment manufacturing also involves the using of steel and electronic parts. Affected by output quantity, market situation and material cost, prices change of the above stated raw materials may affect the costs of specific raw materials and consumables of the Company.

Management Discussion and Analysis

(VI) Construction Subcontracting Expense

For engineering and construction projects, the Company may, according to different situations, subcontract non-crucial construction parts to subcontractors. On one hand, subcontracting can boost the capacity of the Company to undertake large-scale projects and to fulfill contracts with flexibility. On the other hand, management of subcontractors and control on subcontracting costs may also affect the profit on projects.

(VII) State of Operation of Subsidiaries and Key Projects

Although there was relatively large increase in the prices of metal nickel in the first half of 2014, since the Company's Ramu Nico Laterite Mine Project in Papua New Guinea was at the commissioning stage, its actual output was below the designed capacity and substantial loss was made. Although the price of polysilicon rebounded during the Reporting Period, the polysilicon business of the Company still generated loss. The above issues posed great impact on the operating performance of the Company in the first half of 2014.

The final audit result of the project independent third party on the Western Australia SINO Iron Ore EPC General Contract Project, the Project of MCC Real Estate in Xiaguan District of Nanjing, the recovery of payment for contract work from the government and its financing vehicles and the recovery of payment for the contract work from certain private iron and steel enterprises will significantly affect the future financial performance of the Company.

(VIII) Enhancement in Operation Management Quality

The quality of operation management can significantly influence the result of the Company. The Company will "focus on MCC's principal business", strive further to perfect the corporate governance, strengthen the implementation of operation management and internal control, improve management quality and effectiveness, and perfect assessment and incentive system of the Company. Through the operation of "large environment, large platform, large market, large project and large clients", reform and innovation, as well as scientific decision-making, energy and creativity will be stimulated throughout the Company. Whether these management goals could be effectively implemented will also considerably influence the improvement in operating results of the Company.

(IX) Non-even Distribution of Revenue

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

Management Discussion and Analysis

II. ANALYSIS ON FINANCIAL POSITION

(I) Analysis on asset-liability structure

1. Analysis on asset structure

As of 30 June 2014 and 31 December 2013, the total assets of the Company were RMB334,344,903,000 and RMB322,884,439,000 respectively, which mainly included cash and balances, accounts receivable, prepayments, other receivables, inventories, long-term receivables, long-term equity investment, fixed assets and intangible assets. The constitutes thereof are set out in the following table:

Unit: RMB'000

Item	30 June 2014		31 December 2013	
	Amount	Percentage in the total assets	Amount	Percentage in the total assets
Current assets:	246,413,531	73.70%	239,954,194	74.32%
Cash and balances	28,038,785	8.39%	33,585,579	10.40%
Accounts receivable	56,060,666	16.77%	52,597,630	16.29%
Prepayment	15,879,290	4.75%	15,037,010	4.66%
Other receivables	20,465,554	6.12%	13,844,812	4.29%
Inventories	110,285,725	32.99%	107,930,551	33.43%
Non-current assets:	87,931,372	26.30%	82,930,245	25.68%
Long-term receivables	25,235,272	7.55%	20,342,364	6.30%
Long-term equity investment	5,155,469	1.54%	4,133,422	1.28%
Fixed assets	32,658,605	9.77%	33,382,887	10.34%
Intangible assets	15,099,196	4.52%	15,278,732	4.73%
Total assets	334,344,903	100.00%	322,884,439	100.00%

As a conglomerate operating major businesses of engineering and construction and property development, the Company's current assets are its major part of assets. As of 30 June 2014 and 31 December 2013, the current assets of the Company accounted for 73.70% and 74.32% of the total assets respectively. The current assets mainly comprised cash and balances, accounts receivable, prepayments, other receivables, inventories, etc.; non-current assets mainly comprised long-term receivables, long-term equity investment, fixed assets, intangible assets, etc.

Management Discussion and Analysis

(1) Cash and balances

The cash and balances of the Company mainly comprised cash on hand, bank deposit and other cash and balances. In accordance with the characteristics of the business which the company operates, the Company usually keeps proper cash and balances to meet the production and operation needs.

As at 30 June 2014 and 31 December 2013, the balances of cash and balances of the Company were RMB28,038,785,000 and RMB33,585,579,000 respectively, which accounted for 11.38% and 14.00% of the current assets, respectively.

As at 30 June 2014 and 31 December 2013, the restricted cash and balances of the Company were RMB4,529,805,000 and RMB2,343,025,000 respectively, which accounted for 16.16% and 6.98% of the cash and balances, respectively. The use of restricted cash and balances mainly included the cash deposits of acceptance bill and frozen deposits, etc.

(2) Accounts receivable

The accounts receivable of the Company mainly included engineering settlement receivables, provisions for quality, products sales receivables as well as designing, consultancy and technical services receivables, etc.

As at 30 June 2014 and 31 December 2013, the net accounts receivable of the Company were RMB56,060,666,000 and RMB52,597,630,000, which accounted for 22.75% and 21.92% of the current assets, respectively, representing an increase of 6.58% in the net accounts receivable. The increase in accounts receivable was mainly attributable to the influence of changes in the settlement cycle and business mode of the engineering and construction business. The Company will gradually decrease the accounts receivables through selection of quality clients, adjustment of business mode as well as further reinforcement and implementation of the recovery responsibility of accounts receivable.

As of 30 June 2014, calculated based on the original carrying amount, the ageing of 82.88% of the Company's accounts receivables were within two years (inclusive), the ageing of 63.43% of the accounts receivable were within one year (inclusive). The aged structure of the accounts receivable was related to the business characteristics, operation mode and settlement cycle, of the Company, etc.

In order to avoid the possible risks of bad debts, the Company enhanced the overall management of accounts receivable, took into full accounts of the nature and recoverability of accounts receivable as well as made relevant bad debt provisions to ensure the quality of the Company's assets. As of 30 June 2014 and 31 December 2013, the balances of the bad debt provisions of the Company were RMB6,552,159,000 and RMB6,101,857,000 respectively, which accounted for 10.46% and 10.40% of the original amount of the accounts receivable, respectively.

Management Discussion and Analysis

(3) Prepayments

The prepayments of the Company mainly included the amounts prepaid to raw material suppliers, the project and equipment funds prepaid to the sub-contractors as well as the prepaid land transfer funds and safety project funds for the property development business, etc.

As at 30 June 2014 and 31 December 2013, the balances of the prepayments of the Company were RMB15,879,290,000 and RMB15,037,010,000, which accounted for 6.44% and 6.27% of the current assets, respectively, representing an increase of 5.6% in the balances of the prepayments. The increase was mainly attributable to the increases in the raw material procurement funds and project funds prepaid by the Company.

As of 30 June 2014, calculated based on the original carrying amount, the ageing of approximately 85.50% of the Company's prepayments were within two years (inclusive), the ageing of 66.18% of the prepayments were within one year (inclusive).

(4) Other receivables

The other receivables of the Company mainly included the performance deposit, bidding deposit, project cooperation deposits and petty cash, etc.

As at 30 June 2014 and 31 December 2013, the other receivables of the Company were RMB20,465,554,000 and RMB13,844,812,000, which accounted for 8.31% and 5.77% of the current assets, respectively, representing an increase of approximately 47.82% in the other net receivables. The increase was mainly attributable to the increases in transfer fee of the equity to be retrieved, cash deposits and other funds.

As of 30 June 2014, calculated based on the original carrying amount, the ageing of approximately 82.27% of the Company's other receivables were within two years (inclusive), the ageing of 69.80% of the other receivables were within one year (inclusive). The Company also made relevant bad debt provisions for the other receivables with bad debt risks. As of 30 June 2014 and 31 December 2013, the balances of bad debt provisions of other receivables were RMB1,675,743,000 and RMB1,551,724,000 respectively, which accounted for 7.57% and 10.08% respectively of the original amount of the other receivables.

(5) Inventories

The inventories of the Company mainly comprised the outstanding funds of completed engineering construction, the costs of property development, raw materials, goods in process and merchandise inventory. The inventory structure of the Company presented the characteristics of project contracting, property development and equipment manufacturing and other business, which the Company operates.

Management Discussion and Analysis

As of 30 June 2014, the outstanding funds of completed engineering construction of the Company accounted for 37.56% of the total original amount of the inventories and the costs and products of property development accounted for 53.52% of the total original amount of the inventories. The Company also withdrew relevant falling price provisions for the inventories. As of 30 June 2014 and 31 December 2013, the falling price provisions for the inventories of the Company amounted to RMB1,010,322,000 and RMB822,863,000 respectively, which accounted for 0.91% and 0.76% respectively of the original amount of the inventories at the end of the period.

(6) Long-term receivables

The long-term receivables of the Company mainly included receivables and retentions with a collection period of more than one year subject by contract.

On 30 June 2014 and 31 December 2013, the net long-term receivables of the Company were RMB25,235,272,000 and RMB20,342,364,000 respectively, which accounted for 28.69% and 24.52% of non-current assets respectively. The net long-term receivables increased by 24.05%, mainly due to the increase in the receivables with a collection period more than one year by contract from BT businesses including welfare housing and construction of urban infrastructure facilities.

(7) Long-term equity investment

The external long-term equity investments of the Company included equity investment of associates and equity investment of joint ventures. On 30 June 2014 and 31 December 2013, the net long-term equity investments of the Company were RMB5,155,469,000 and RMB4,133,422,000 respectively, which accounted for 5.86% and 4.98% of non-current assets respectively. The balance of long-term equity investment increased by 24.73%, mainly because that the Company newly increased the investments in certain associates.

By using the provision of the impairment of long-term equity investment, the Company can respond to the investment losses that may occur. On 30 June 2014 and 31 December 2013, the balances of provisions of impairment of long-term equity investment were RMB42,145,000 and RMB3,408,000, which accounted for 0.81% and 0.08% of the original book value of long-term equity investment.

(8) Fixed assets

On 30 June 2014 and 31 December 2013, the net values of the fixed assets of the Company were RMB32,658,605,000 and RMB33,382,887,000, which accounted for 37.14% and 40.25% of non-current assets. The fixed assets of the Company mainly included the house construction, machinery and equipment and transport equipment, etc.

Management Discussion and Analysis

(9) Intangible assets

On 30 June 2014 and 31 December 2013, the aggregated book value of the intangible assets of the Company were RMB15,099,196,000 and RMB15,278,732,000 respectively, which accounted for 17.17% and 18.42% of the non-current assets. The intangible assets of the Company were mainly land use rights, concession user's rights, patent and proprietary technologies, and mining rights. The main reason for the decrease in the book value of intangible assets was that the changes of exchange rates caused the decrease in the book value of intangible assets of overseas subsidiaries.

2. The analysis of the liability structure

As of 30 June 2014 and 31 December 2013, the total liabilities of the Company were RMB278,661,647,000 and RMB267,819,220,000, the detailed liability structure was as follows:

Unit: RMB'000

Item	30 June 2014		31 December 2013	
	Amount	Percentage in total liabilities	Amount	Percentage in total liabilities
Total current liabilities:	224,850,645	80.69%	219,044,859	81.79%
Short-term borrowings	50,674,542	18.18%	45,080,598	16.83%
Bills payable	12,163,055	4.36%	7,610,246	2.84%
Accounts payable	73,646,921	26.43%	70,186,463	26.21%
Payment received in advance	34,350,121	12.33%	35,311,169	13.18%
Other payables	19,829,495	7.12%	19,793,109	7.39%
Non-current liabilities due within one year	11,361,162	4.08%	11,096,007	4.14%
Total non-current liabilities:	53,811,002	19.31%	48,774,361	18.21%
Long-term borrowings	23,612,364	8.47%	21,618,045	8.07%
Debentures payable	23,640,175	8.48%	20,606,063	7.69%
Estimated liabilities	4,090,209	1.47%	4,049,770	1.51%
Total liabilities	278,661,647	100.00%	267,819,220	100.00%

On 30 June 2014 and 31 December 2013, the assets-liabilities ratios in the Consolidated Statement of the Company were 83.35% and 82.95%. On 30 June 2014 and 31 December 2013, the current liabilities accounted for 80.69% and 81.79% in total liabilities, non-current assets accounted for 19.31% and 18.21% in total liabilities.

Management Discussion and Analysis

(1) Short-term borrowings

The short-term borrowings of the Company mainly consisted of credit borrowings, guaranteed loans from financial institutes such as commercial banks. On 30 June 2014 and 31 December 2013, the balances of the short-term borrowings of the Company were RMB 50,674,542,000 and RMB45,080,598,000 respectively, with a year-on-year increase of 12.41%. The increase in short-term borrowings was mainly due to the newly added bank loans for the needs of operation.

(2) Accounts payable and other payables

The accounts payable were mainly the payables to suppliers and distributors, settlement amount of project processes, other payables mainly included deposits and leasing fees, etc.

On 30 June 2014 and 31 December 2013, the balances of accounts payable and other payables of the Company were RMB73,646,921,000, RMB19,829,495,000 and RMB70,186,463,000, RMB19,793,109,000 respectively, which accounted for 26.43%, 7.12% and 26.21%, 7.39% respectively of the total liabilities.

The increase of accounts payables was mainly due to the increase in construction payables, and the increase of other payables was mainly due to the increase in deposits.

(3) Payments received in advance

Payments received in advance were mainly prepaid amounts from project contractors, preparation amount for projects, billed work in process and income from properties for sales received in advance, etc.

On 30 June 2014 and 31 December 2013, the balances of payments received in advance of the Company were RMB34,350,121,000 and RMB35,311,169,000 respectively, which accounted for 12.33% and 13.18% of the total liabilities respectively as a major component of the liabilities of the Company. The payments received in advance on 30 June 2014 decreased by 2.72% compared with that of 31 December 2013, which was mainly due to the decrease in payments received in advance of real estate projects of the Company.

(4) Long-term borrowings and debentures payable

The Long-term borrowings of the Company mainly consisted of credit borrowings, secured borrowings, pledged borrowings and guaranteed borrowings. On 30 June 2014 and 31 December 2013, the balances of long-term borrowings of the Company were RMB23,612,364,000 and RMB21,618,045,000 respectively, which accounted for 8.47% and 8.07% of total liabilities.

On 30 June 2014 and 31 December 2013, the balances debentures payables of the Company were RMB23,640,175,000 and RMB20,606,063,000 respectively, which accounted for 8.48% and 7.69% of the total liabilities as one of major components of the liabilities of the Company.

Management Discussion and Analysis

(5) Contingent liabilities

The contingent liabilities of the Company mainly consisted of retirement benefits and early retirement benefits, etc. Subject to the "Accounting Standards for Business Enterprises No. 9 Employee Benefits" and the Reply and Approval on the Questions Related to Relevant Expenses of Retired, Early Retired and Laid-off Employees — "Three Types of Employees" in the Working Process of Restructuring and Reorganization of Metallurgical Corporation of China Ltd. of State-owned Assets Supervision and Administration Commission of the State Council (《關於中國冶金科工集團公司重組改制上市工作中離退休等"三類人員"相關費用有關問題的批覆》)(Guo Zi Fen Pei[2008]No. 581), the Company appointed independent valuer to actuarially value the three types of employees, namely the retired, the early retired and laid-off employees and beneficiaries. During the restructuring process, the MCC Group established the auditing valuation time spot (31 December 2007), and counted the above payables into the contingent liabilities of the Company, and deducted from the net assets in the restructuring valuation time spot.

"IAS 19 Employee Benefits" and "Accounting Standards for Business Enterprises No. 9 Employee Benefits" were amended. The changes in accounting policies were mainly: value exceeding 10% of the value of benefit obligations of actuarial gains and losses used to be counted as losses and gains, but now it was changed to the situation that all the actuarial gains and losses were recognized and counted into other consolidated income. Previous services costs were not deferred and were counted into current profit and loss. Pursuant to the amendments of "IAS 19 Employee Benefits" and related regulations in "Accounting Standards for Business Enterprises No. 9 Employee Benefits", the Company comprehensively retrospectively adjusted and changed the benefits actuarial accounting policy in 2013.

On 30 June 2014 and 31 December 2013, the balances of estimated benefits of actuarial liabilities were RMB4,006,654,000 and RMB3,952,311,000 respectively.

On 30 June 2014 and 31 December 2013, the estimated liabilities structure was as follows:

Unit: RMB'000

Item	30 June 2014		31 December 2013	
	Amount	Percentage	Amount	Percentage
Benefits actuarial liabilities	4,006,654	86.91%	3,952,311	84.62%
Pending Litigations	13,304	0.29%	18,840	0.40%
Quality Assurance Fee of Products	6,472	0.14%	5,483	0.12%
Control of Environmental Pollution	24,372	0.53%	38,438	0.82%
Others	39,407	0.85%	34,698	0.74%
Reclassification:				
Non-current liabilities due within one year	520,094	11.28%	621,133	13.30%
Total	4,610,303	100.00%	4,670,903	100.00%

Management Discussion and Analysis

(II) Analysis on the solvency

The index of major short-term solvency and capital structure of the Company are as follows:

Unit: RMB'000

Item	30 June 2014 Amount	31 December 2013 Amount
Current ratio (<i>time</i>)	1.10	1.10
Quick ratio (<i>time</i>)	0.61	0.60
Assets-liabilities ratio (<i>Parent Company</i>)	56.05%	54.78%
Assets-liabilities ratio (<i>consolidated</i>)	83.35%	82.95%

Item	For the first half of the 2014 Amount	For the first half of 2013 Amount
Profit before taxation	5,283,368	4,747,254
Interest coverage	2.51	2.02

As at 30 June 2014, the assets-liabilities ratio of the statements of the Company (Parent Company) was 56.05%, while the assets-liabilities ratio of the consolidated statements was 83.35%.

1. Index of assets liquidity is basically flat with last year

As at 30 June 2014 and 31 December 2013, the current ratios of the Company were 1.10 and 1.10 respectively, which were basically flat with last year. The quick ratios were 0.61 and 0.60 respectively, representing a slight increase as compared with last year.

2. Interest coverage increased year-on-year

In the first half of 2014 and the first half of 2013, the interest coverage of the Company were 2.51 and 2.02, representing a year-on-year increase of 0.49 time, which means the solvency of the Company improved to some extents.

3. Current liabilities structure with a high proportion of purchase deposits from customers

As at 30 June 2014 and 31 December 2013, the Company's balance of purchase deposits from customers were RMB34,350,121,000 and RMB35,311,169,000, accounting for 12.33% and 13.18% of the total liabilities. The purchase deposits from customers were mainly composed of advance payments from owners of engineering and construction projects, advances on raw materials purchases, settled outstanding payment and advanced housing sales receipt. Compared with other liability items, such purchase deposits from customers will not generate cash outflow in the future and will not incur liquidity risk to the Company.

Management Discussion and Analysis

4. Smooth financing channels

The Company has long-term business relationships with several financial institutions including the large-scale commercial banks and policy banks at home and abroad. The Company has good credit records and high credit facility lines, indicating that the financing channels of the Company are smooth.

The Company will also adopt the following measures to improve the short-term solvency and safety of financial structure: arrange the use of fund reasonably to improve the management and efficiency of fund operation; accelerate the fund recovery, so as to continuously improve the cash flows of operating activities; unceasingly enhance the standards of operation and management, and thoroughly implement the measures on cost reduction and efficiency improvement, with an aim to improving the capacity of accumulation in operation; further expand the external financing channels, covering the equity financing and long-term and short-term debt financing, in order to further optimize the capital structure and debt structure, and reduce the financing costs.

(III) Analysis on the assets turnover

During the Reporting Period, the major index of assets turnover are set out in the table below:

Unit: timelyear

Item	For the first half of 2014	For the first half of 2013
Total assets turnover	0.29	0.28
Accounts receivable turnover	1.58	1.70
Inventory turnover	0.76	0.70

1. Total assets turnover

In the first half of 2014 and first half of 2013, the Company's total assets turnover were 0.29 time and 0.28 time respectively, representing a slight increase during the Reporting Period, which was mainly attributable to a higher growth of operating revenue as compared with the growth of total assets during the Reporting Period.

2. Accounts receivable turnover

In the first half of 2014 and first half of 2013, the accounts receivable turnover of the Company were 1.58 times and 1.70 times respectively, representing a decrease of 0.12 time during the Reporting Period, mainly attributable to the settlement cycle of engineering and construction business and the changes in business mode.

Management Discussion and Analysis

3. Inventory turnover

In the first half of 2014 and first half of 2013, the inventory turnover of the Company were 0.76 time and 0.70 time respectively, representing an increase of 0.06 time during the Reporting Period, which was mainly due to the fact that the year-on-year increase in the cost of main business of the Company improved the inventory turnover.

III. ANALYSIS ON THE PROFITABILITY

(I) Summary

In the first half of 2014, amid the ever-changing and complex economic environment, most design, R&D and construction enterprises under the Company's construction segment took proactive measures. Notwithstanding the excess capacity in the iron and steel industry and withering metallurgical engineering business, the Company still achieved stable development and good operation results.

In the first half of 2014, the total operating revenue of the Company was RMB96,166,552,000, representing a year-on-year increase of 5.50%. Among which, the growth rate of revenue from main business was 5.52%. The Company recorded a total profit of RMB3,177,613,000, representing a year-on-year increase of 32.54%. The net profit attributable to shareholders of the parent company was RMB1,809,335,000, representing a year-on-year increase of 22.22%. In the first half of 2014 and first half of 2013, the gross profit margin of the Company were 12.34% and 13.13%, respectively, representing a year-on-year decrease of 0.79 percentage point.

The major operation index of the Company for the first half of 2014 are as follows:

Unit: RMB'000

Item	For the first half of 2014	For the first half of 2013
Total operating revenue	96,166,552	91,153,210
Gross profit	11,869,683	11,967,354
Gross profit margin	12.34%	13.13%
Operating profit	2,721,127	1,998,936
Operating profit margin	2.83%	2.19%
Total profit	3,177,613	2,397,409
Net profit	1,961,506	1,357,305
Net profit margin	2.04%	1.49%
Net profit attributable to owners of the Parent Company	1,809,335	1,480,411

Management Discussion and Analysis

(II) Analysis on the operating revenue

1. Composition of the operating revenue

The Company is mainly engaged in engineering and construction, equipment manufacturing, resources development, property development and other businesses. Details of the operation revenue and the composition are set out as follows:

Unit: RMB'000

Item		For the first half of 2014	For the first half of 2013
Engineering and construction	Revenue	80,747,409	75,619,715
	Proportion	82.68%	81.92%
Equipment manufacturing	Revenue	4,215,599	4,562,878
	Proportion	4.32%	4.94%
Resources development	Revenue	1,940,565	1,364,295
	Proportion	1.99%	1.48%
Property development	Revenue	9,283,858	9,411,465
	Proportion	9.51%	10.20%
Other businesses	Revenue	1,469,568	1,348,385
	Proportion	1.50%	1.46%
Elimination of inter- segment transactions	Revenue	-1,490,447	-1,153,528
Total	Revenue	96,166,552	91,153,210

Note: The revenue of each segment is before elimination of inter-segment transactions. The proportion of revenue of each segment is based on the total revenue before elimination of inter-segment transactions.

From the perspective of revenue composition of each segment, engineering and construction accounted for 82.68% of the total revenue, representing an increase of 0.76 percentage point as compared with the same period last year; Equipment manufacturing accounted for 4.32% of the total revenue, representing a decrease of 0.62 percentage point as compared with the same period last year; Resources development accounted for 1.99% of the total revenue, representing an increase of 0.51 percentage point as compared with the same period last year; Property development accounted for 9.51% of the total revenue, representing a decrease of 0.69 percentage point as compared with the same period last year.

Management Discussion and Analysis

2. Increase or decrease in operating revenue

Unit: RMB'000

Item	For the first half of 2014		For the first half of 2013	
	Amount	Increase	Amount	Increase
Engineering and construction	80,747,409	6.78%	75,619,715	-14.76%
Equipment manufacturing	4,215,599	-7.61%	4,562,878	-25.21%
Resources development	1,940,565	42.24%	1,364,295	-63.77%
Property development	9,283,858	-1.36%	9,411,465	29.92%
Other businesses	1,469,568	8.99%	1,348,385	-51.43%
Less: Elimination of inter-segment transactions	-1,490,447		-1,153,528	
Sub-total	96,166,552	5.50%	91,153,210	-14.82%

In recent years, in order to maintain a sound and sustainable financial structure, the Company not only balanced scale and quality, but also valued the transformation of development mode and improvement in development quality. The operating revenue from engineering and construction increased by 6.78% year on year. The operating revenue from equipment manufacturing decreased by 7.61% year on year, mainly due to the fact that CERI (Yingkou) Equipment Development and Manufacturing Co., Ltd. (中冶京誠(營口)裝備技術有限公司), the former subsidiary, was no longer within the consolidation scope following the restructuring. The operating revenue from resources development increased by 42.24% year-on-year, mainly attributable to the improvement in both the sales volume and prices of polysilicon, as well as the stable production of Ramu Nico Project and the prices rise in nickel. The property development decreased by 1.36% year-on-year, mainly due to the fact that the Company controlled the investment in real estate under the impact of macro economy and that the development cycle of projects are different.

The Company believes that besides consolidating the leading position in metallurgical engineering and construction field, and leveraging the strength in metallurgical technology, the long-term development strategy of the Company lies in adjustment and improvement in business structure. As for the main business of engineering and construction and property development, the Company will further refine the structure of the main business, adjust the operation mode, and enhance the risk prevention as well as the comprehensive competitiveness.

Management Discussion and Analysis

(III) Revenue classified according to regions

Unit: RMB'000

Operating revenue		For the first half of 2014	For the first half of 2013
China	Revenue	88,189,598	86,137,492
	Proportion	91.71%	94.50%
Outside China	Revenue	7,976,954	5,015,718
	Proportion	8.29%	5.50%
Total	Revenue	96,166,552	91,153,210
	Proportion	100.00%	100.00%

In the first half of 2014 and first half of 2013, the Company's revenue from outside China were RMB7,976,954,000 and RMB5,015,718,000 respectively, mainly from the engineering and construction business such as the university town project in Kuwait, the property development business in Singapore and the resources development business including Ramu Nico Project in Papua New Guinea and Saindak Copper-Gold Mine in Pakistan.

(IV) Analysis on profitability of main business segment

1. Engineering and Construction Business

Engineering and construction business is the traditional core business of the Company, and serves as the main source of revenue and profit of the Company, the revenue, cost and gross profit of such business are as follows:

Unit: RMB'000

Item	For the first half of 2014	For the first half of 2013
Operating revenue	80,747,409	75,619,715
Operating cost	71,236,504	66,066,318
Gross profit	9,510,905	9,553,397
Gross profit margin	11.78%	12.63%

Note: The figures of operating revenue and cost are presented before elimination of inter-segment transactions.

Management Discussion and Analysis

In respect of the profitability, the engineering and construction business recorded a gross profit of RMB9,510,905,000, representing a year-on-year decrease of 0.44%. For the first half of 2014 and first half of 2013, the gross profit margin of engineering and construction business were 11.78% and 12.63% respectively, representing a year-on-year decrease of 0.85 percentage point.

In respect of operating structure, under the impact of adjustment in the domestic iron and steel industry, the revenue from metallurgical engineering and construction business accounted for a less proportion in the engineering segment, decreased from 41.78% in the first half of 2013 to 41.64% in the first half of 2014.

2. Equipment manufacturing business

The equipment manufacturing business of the Company mainly includes the manufacturing and sales of metallurgical equipment, steel structures and other metal products. The revenue, costs and gross profit of equipment manufacturing business are as follows:

Unit: RMB'000

Item	For the first half of 2014	For the first half of 2013
Operating revenue	4,215,599	4,562,878
Operating cost	3,764,508	4,097,568
Gross profit	451,091	465,310
Gross profit margin	10.70%	10.20%

Note: The figures of operating revenue and cost are presented before elimination of inter-segment transactions.

In the first half of 2014, the equipment manufacturing business of the Company recorded a gross profit of RMB451,091,000, representing a year-on-year decrease of 3.06%. For the first half of 2014 and first half of 2013, the gross profit margin of the equipment manufacturing business were 10.70% and 10.20% respectively.

3. Resources Development Business

The resources development business of the Company includes the mining and smelting of copper, zinc and nickel and other metals as well as the production and processing of polysilicon. The subsidiaries engaged in mining include MCC Tongsin Resources Ltd. and MCC-JJJ Mining Development Company Limited, while the subsidiary engaged in processing of polysilicon is Luoyang China Silicon Hi-tech Corporation. During the Reporting Period, the revenue from mining business was mainly from resources development projects such as Saindak Copper-Gold Mine in Pakistan, Ramu Nico Project and Iron Ore Project in Argentina.

Management Discussion and Analysis

During the Reporting Period, the revenue, cost and gross profit of resources development business of the Company are as follows:

Unit: RMB'000

Item	For the first half of 2014	For the first half of 2013
Operating revenue	1,940,565	1,364,295
Operating cost	1,657,874	1,137,634
Gross profit	282,691	226,661
Gross profit margin	14.57%	16.61%

Note: The figures of operating revenue and cost are presented before elimination of inter-segment transactions.

The Company's resources development business recorded a gross profit of RMB282,691,000, representing a year-on-year increase of 24.72%. For the first half of 2014 and first half of 2013, the gross profit margin of the resources development business were 14.57% and 16.61% respectively.

4. Property Development Business

The property development business of the Company mainly includes the commercial property, commercial residential building, welfare housing, primary land development and relevant property management.

The revenue, cost and gross profit of property development business are as follows:

Unit: RMB'000

Item	For the first half of 2014	For the first half of 2013
Operating revenue	9,283,858	9,411,465
Operating cost	7,765,225	7,698,176
Gross profit	1,518,633	1,713,289
Gross profit margin	16.36%	18.20%

Note: The figures of operating revenue and cost are presented before elimination of inter-segment transactions.

In the first half of 2014, the property development business of the Company recorded a gross profit of RMB1,518,633,000, representing a year-on-year decrease of 11.36%. For the first half of 2014 and first half of 2013, the gross profit margin of the property development business were 16.36% and 18.20%, respectively.

Management Discussion and Analysis

(V) Major suppliers and clients

During the Reporting Period, purchase amounts of goods from the top five suppliers of the Company accounted for no more than 10% of operating costs. During the same period, operating revenue for the top five suppliers of the Company accounted for no more than 10% of total operating revenue of the Company. (Please refer to note 5 (48) in the financial statements for details)

(VI) Operation condition and results analysis of major wholly-owned and non-wholly owned subsidiaries of the Company

The net profits of certain subsidiaries of the Company had significant impact on the net profit of consolidated statements, primary information of which is as follows:

Unit: RMB'000

Name of subsidiary	Total assets	Ownership interest	Gross revenue	Net profit
MCC Real Estate Group Co., Ltd.	40,607,027	5,222,467	1,189,527	592,987
China MCC 5 Group Co., Ltd.	13,441,288	2,837,790	7,053,878	339,111
MCC TianGong Group Corporation Limited	14,961,323	3,033,839	8,157,647	325,079
China MCC 20 Group Co., Ltd	28,143,194	4,017,283	9,910,022	293,845
China Metallurgical Construction Engineering Group Co., Ltd.	10,449,483	1,897,394	5,470,046	214,043
Shanghai Baoye Group Corp., Ltd.	16,455,325	4,073,234	8,901,403	213,625
Central Research Institute of Building and Construction Co., Ltd., MCC Group	11,142,454	2,855,983	3,835,850	187,091
MCC-JJJ Mining Development Company Limited	12,387,665	1,092,564	757,995	-349,381

In addition, information of the aforementioned subsidiaries in respect of nature and scope of business and registered capital please refer to the relevant financial statements and its notes of the Company.

Management Discussion and Analysis

(VII) MAJOR ITEMS OF COSTS AND EXPENSES

During the Reporting Period, the major components of costs and expenses of the Company and their changes are set out as below:

Unit: RMB'000

Item	For the first half of 2014	For the first half of 2013
Operating costs	84,296,869	79,185,856
Business tax and surcharges	2,397,811	2,571,614
Sales expenses	689,284	711,061
Administrative expenses	3,871,026	4,108,741
Financial costs	1,632,237	2,507,110
Assets impairment loss	1,094,026	596,588

1. Operating costs

The operating costs of the Company primarily comprises material cost, subcontracting charges, labour cost, machinery and equipment fee and other indirect expenditures, among which material cost, subcontracting charges and labour cost constitute the major part of our operating costs.

In the first half of 2014 and the first half of 2013, the operating costs of the Company were RMB84,296,869,000 and RMB79,185,856,000 respectively, representing an increase of 6.45%. The growth in operating revenue was 5.50% during the period, which is slightly lower than that of operating costs.

2. Business tax and surcharges

In the first half of 2014 and the first half of 2013, the business tax and surcharges of the Company were RMB2,397,811,000 and RMB2,571,614,000 respectively, representing a year-on-year decrease of 6.76%, which was mainly due to the significant decrease in land appreciation tax as compared to the same period of last year.

3. Sales expenses

The sales expenses of the Company mainly consist of employee remuneration, transportation fee and advertising expense, etc. In the first half of 2014 and the first half of 2013, the sales expenses of the Company amounted to RMB689,284,000 and RMB711,061,000, respectively. In the first half of 2014 and the first half of 2013, the proportion taken by sales expenses in the operating revenue of the same period were 0.72% and 0.78%, respectively.

Management Discussion and Analysis

4. Administrative expenses

The administrative expenses of the Company primarily comprise employee remuneration, research and development expenditure and office expense, etc. In the first half of 2014 and the first half of 2013, the administrative expenses of the Company amounted to RMB3,871,026,000 and RMB4,108,741,000 respectively, declining by 5.79% year-on-year. The proportion taken by administrative expenses in the operating revenue of the same period were 4.03% and 4.51%, respectively.

5. Financial costs

The financial costs of the Company mainly comprise borrowing cost, exchange gain or loss, bank charges and other costs incurred in the normal course of business. In the first half of 2014 and the first half of 2013, the financial costs of the Company were RMB1,632,237,000 and RMB2,507,110,000 respectively, representing a year-on-year decrease of 34.90% while the proportion made up by them in the operating revenue were 1.70% and 2.75% respectively.

6. Assets impairment loss

In the first half of 2014 and the first half of 2013, the provision made by the Company for assets impairment loss were RMB1,094,026,000 and RMB596,588,000 respectively, increasing by 83.38% year-on-year, which was mainly attributable to the provisions for inventory impairment made by subsidiaries in the period and the increase in bad debt provision for account receivable of the Company.

(VIII) Analysis on other items in the income statement

1. Income tax expense

The income tax of the Company is provided based on the taxable income generated in the PRC at the applicable rate. Taxations incurred in other regions are calculated at applicable rates in accordance with the existing laws, interpretations and practices promulgated in the countries/jurisdictions where the Company operates its business.

During the Reporting Period, the income tax expenses of the Company are as follows:

Unit: RMB'000

Item	In the first half of 2014		In the first half of 2013	
	Amount	Increase	Amount	Increase
Income tax expense	1,216,107	16.92%	1,040,104	-0.74%
Income tax expense/gross profit	38.27%	—	43.38%	—

Management Discussion and Analysis

2. Net profit attributable to the parent and minority interests

In the first half of 2014, the Company recorded net profit attributable to the parent of RMB1,809,335,000 (as shown in the table below), the significant increase over the same period of last year was primarily due to the year-on-year increase in total profit.

Unit: RMB'000

Item	In the first half of 2014	In the first half of 2013
Net profit	1,961,506	1,357,305
Including: Attributable to shareholders of the parent	1,809,335	1,480,411
Attributable to minority interests	152,171	-123,106
Profit/net profit attributable to shareholders of the parent	92.24%	109.07%

(IX) Analysis on extraordinary item

In the first half of 2014 and the first half of 2013, the amount of extraordinary items of the Company were RMB380,921,000 and RMB641,144,000 respectively, representing a decrease of 40.59% as compared to the same period of last year. The decrease was primarily due to the significant amount of gains from disposal of long-term equity investment recorded in the same period of last year.

(X) Analysis on profit distribution

Pursuant to the Reply on the Queries of Profit Distribution for Preparation of Consolidated Accounting Report (Cai Kuai Han[2000]No.7) (《關於編製合併會計報告中利潤分配問題的請示的覆函》(財會函[2000]7號)) issued by the Ministry of Finance, when preparing the consolidated accounting statement of a company, the profit distribution shall be based on the distributable profit of the parent whereas the distributable profit in the consolidated accounting statement shall not be the basis of the effective distributed profit. Pursuant to Accounting Standards for Business Enterprises No. 2 - Long-term Investment, the long-term investment in subsidiaries of the Company shall be measured at cost method in the preparation of the statement of the parent. Where the parent is a holding company, the investment income is recognised in the net profit of the parent when there are any dividends declared by subsidiaries.

The Company had undistributed profit of RMB6,585,181,000 at the beginning of 2014. The net profit attributable to the parent amounted to RMB1,809,335,000 in the first half of 2014 while the undistributed profit was RMB7,288,806,000 at the end of June 2014. The parent had undistributed profit of RMB1,181,626,000 at the beginning of 2014. In the first half of 2014, its net profit and distributed cash dividends were RMB-704,726,000 and RMB1,165,710,000 respectively while the distributable profit was RMB-688,810,000 at the end of June 2014.

Management Discussion and Analysis

IV. CASH FLOW ANALYSIS

The cash flow of the Company is as follows:

Unit: RMB'000

Item	In the first half of 2014	In the first half of 2013
Net cash flows from operating activities	-5,732,536	-4,107,785
Net cash flows from investing activities	-940,699	1,552,080
Net cash flows from financing activities	-1,113,595	-6,947,466
Impact of changes in exchange rate on cash and cash equivalents	53,256	-77,716
Increase in cash and cash equivalents, net	-7,733,574	-9,580,887

(I) Operating activities

In the first half of 2014 and the first half of 2013, the net cash flows from operating activities of the Company were RMB-5,732,536,000 and RMB-4,107,785,000, respectively. During the period and the corresponding period of last year, the cash inflow from operating activities of the Company mainly comprised cash received from sales of products and provision of services, which represented 96.57% and 98.20% of cash inflow from operating activities respectively.

The cash outflow from operating activities of the Company primarily comprised cash paid for procurement of goods and receipt of service, cash paid to and on behalf of employees as well as tax payments, which represented 78.19%, 7.33% and 5.65% of cash outflow from operating activities in the first half of 2014 respectively and represented 81.40%, 7.51% and 6.43% of cash outflow from operating activities in the first half of 2013 respectively.

(II) Investing activities

The cash inflow from investing activities of the Company primarily consisted of recovered investment, income from investment and cash gained from disposal of assets which represented 4.49%, 2.71% and 65.49% of cash inflow from investing activities in the first half of 2014 respectively and represented 46.85%, 2.12% and 9.60% of cash inflow from investing activities in the first half of 2013 respectively. The cash outflow mainly comprised cash payments for acquisition of fixed assets, intangible assets and other long-term assets, which represented 82.62% and 96.37% of cash outflow from investing activities in the first half of 2014 and the first half of 2013, respectively.

In the first half of 2014 and the first half of 2013, the net cash flows from investing activities of the Company were RMB-940,699,000 and RMB1,552,080,000 respectively. The investing activities of the Company mainly comprised project contracting and real estate businesses.

Management Discussion and Analysis

(III) Financing activities

The cash inflow from financing activities of the Company primarily consisted of cash received from borrowings, which represented 99.74% and 99.60% of cash inflow from financing activities in the first half of 2014 and the first half of 2013 respectively. The cash outflow from financing activities of the Company primarily comprised cash repayments for liabilities, distribution of dividends and profit, or cash payment for interest, which represented 91.71% and 6.27% of cash outflow from financing activities in the first half of 2014 and represented 92.93% and 6.85% of cash outflow from financing activities in the first half of 2013.

In the first half of 2014 and the first half of 2013, the net cash flows from financing activities of the Company were RMB-1,113,595,000 and RMB-6,947,466,000 respectively. The net cash outflow recorded in financing activities mainly due to the distribution of dividends and profit as well as cash payment for interest for the period.

Significant Events

I. MATERIAL LITIGATION, ARBITRATION AND MATTERS GENERALLY QUESTIONED BY THE MEDIA

The Company disclosed in the Announcement on the Disputes over Cape Lambert Iron Ore Project in Western Australia published on 10 September 2010 and the Announcement on Update on the Disputes over Cape Lambert Iron Ore Project in Western Australia published on 12 August 2013, that there were disputes between the Company and its subsidiaries MCC Mining (Western Australia) Pty Ltd. and MCC Australia Sanjin Mining Pty Ltd., and Cape Lambert Resources Limited and Mt Anketell Pty Ltd. (collectively, "CFE") in respect of the final tranche of AUD80 million under the relevant transaction agreement for the mining tenements of Cape Lambert Iron Ore in Western Australia. Pursuant to the judgment granted by the Supreme Court of Western Australia, the parties should refer such disputes to arbitral proceedings for settlement. On 11 September 2012, CFE submitted an application for arbitration to the Singapore International Arbitration Centre. On 25 November 2013, the Company deposited the final tranche of AUD80 million into the escrow account as requested by the arbitrator of the Singapore International Arbitration Centre. The parties entered into a settlement agreement on 12 July 2014, specifying that AUD30 million out of the final tranche of AUD80 million in the escrow account will be returned to the Company and the balance after deducting relevant expenses will be transferred into the bank account designated by CFE. The arbitration concludes after signing and executing the settlement agreement and the legal effects of all agreements entered into between both parties based on the transaction in the project terminate simultaneously. The said settlement will not have an impact on the interim financial statements of the Company, and the Company will recognise the returned AUD 30 million as the non-operating income in its account.

Save as the litigation mentioned above, the Company had no other material litigation or arbitration which had material adverse effect on production and operations during the Reporting Period.

II. EVENTS IN RELATION TO BANKRUPTCY AND REORGANISATION

During the Reporting Period, the Company had no events in relation to bankruptcy and reorganisation.

III. TRANSACTION OF ASSETS AND AMALGAMATION

During the Reporting Period, the Company had no material asset acquisition and sale or amalgamation.

IV. EVENTS IN RELATION TO SHARE INCENTIVE

During the Reporting Period, the Company had no events in relation to share incentive.

Significant Events

V. CONNECTED TRANSACTION

On 27 June 2014, MCC Real Estate Wuhan Co., Ltd. (中冶置業武漢有限公司), a subsidiary of the Company, and Beijing Dongxing Metallurgical New-Tech & Development Corp. (北京東星冶金新技術開發公司), a subsidiary of MCC Group which is the controlling shareholder of the Company, entered into the Assets Transfer Agreement for the repurchase of the parcel land located at Nanku, No. 39 Street, Badajia, Qingshan District, Wuhan held by Dongxing Company based on the appraised value of RMB40,168,400 (please refer to the announcement issued by Company on 27 June 2014 for details).

The amounts of various types of continuing connected transactions between the Company and MCC Group which actually occurred during the Reporting Period are set out in the following table:

Unit: 0'000 Currency: RMB

Item	Type of Transaction	Annual Cap for 2014	As at 30 June 2014
With MCC Group	Leasing of properties from MCC Group and its subsidiaries to the Company and its subsidiaries	9,000	2,885.0
	Provision of raw materials, products and services from MCC Group and its subsidiaries to the Company and its subsidiaries	42,000	96.4
	Provision of raw materials, products and services from the Company and its subsidiaries to MCC Group and its other subsidiaries	110,000	1.7

VI. MATERIAL CONTRACTS AND THE PERFORMANCE THEREOF

(I) Trusteeship, contracting and leasing

During the Reporting Period, the Company had no substantial trusteeship, contracting and leasing.

Significant Events

(II) Guarantees

External guarantees provided by the Company (excluding guarantees provided to subsidiaries)

Unit: '000 Currency: RMB

Guarantor	Relationship between guarantor and the listed company	Guaranteed party	Guaranteed amount	Date of guarantee			Type of guarantee	Whether fully fulfilled	Whether overdue	Whether any counter guarantee was available		Whether guarantee for a related party	Related party relationship
				(agreement execution date)	Commencement date of guarantee	Expiry date of guarantee				available	related party		
MCC Capital Engineering & Research Incorporation Limited	Non-wholly owned subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	166,690 ^(note 1)	2009/1/14	2009/1/14	2015/7/14	Under joint and several liabilities	No	No	No	No	No	—
MCC Capital Engineering & Research Incorporation Limited	Non-wholly owned subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	354,000	2009/6/18	2009/6/18	2017/12/2	Under joint and several liabilities	No	No	No	No	No	—
MCC Capital Engineering & Research Incorporation Limited	Non-wholly owned subsidiary	CERI Yingkou Equipment Technology Co., Ltd.	247,800	2010/2/2	2010/2/2	2017/12/2	Under joint and several liabilities	No	No	No	No	No	—
China 22 MCC Group Co., Ltd.	Wholly-owned subsidiary	Hebei Steel Luan County Sijaying Iron Ore Co., Ltd.	60,000	2007/10/10	2007/10/10	2014/8/30	Under joint and several liabilities	No	No	No	No	No	—
China 22 MCC Group Co., Ltd.	Wholly-owned subsidiary	Hebei Steel Luan County Sijaying Iron Ore Co., Ltd.	20,580	2007/9/7	2007/9/7	2015/9/6	Under joint and several liabilities	No	No	No	No	No	—
China Huaye Group Co., Ltd.	Wholly-owned subsidiary	Handan Iron & Steel Co., Ltd. (邯钢集团钢铁有限公司)	28,761	2003/12/19	2003/12/19	2015/12/19	Under joint and several liabilities	No	No	No	No	No	—

Total amount of guarantees occurred during the Reporting Period (excluding guarantees to subsidiaries)	-90,700 ^(note 2)
Total balance of guarantees as at the end of the Reporting Period (A) (excluding guarantees to subsidiaries)	877,831

Guarantees provided by the Company to its subsidiaries

Total amount of guarantees occurred by the Company to its subsidiaries during the Reporting Period	447,536
Total balance of guarantees provided by the Company to its subsidiaries as at the end of the Reporting Period (B)	11,578,564

Total guarantees provided by the Company (including guarantees to subsidiaries)

Total amount of guarantees (A+B)	12,456,396 ^(note 3)
Total amount of guarantees as a percentage of the Company's net assets (%)	27.79
Including:	
Amount of guarantees provided to shareholders, the de facto controller and their related parties (C)	0
Debt guarantees directly or indirectly provided to parties with gearing ratio of over 70% (D)	10,884,533
The excess of total amount of guarantees over 50% of the net assets (E)	0
Total amount of above 3 guarantees (C+D+E)	10,884,533

Significant Events

Note 1: The amount of previous guarantees was RMB222.39 million. According to the loan and guarantee agreement, the loan of RMB55.7 million to CERI Yingkou Equipment Technology Co., Ltd. became due on 30 June 2014, and the guarantee amount at the end of the period was RMB166.69 million.

Note 2: During the Reporting Period, most guarantee incurred were negative, mainly because the guarantees expired were more than the amount of new guarantees.

Note 3: The difference between each balance amount and total amount of guarantee was mainly due to the figures rounded to the nearest thousand.

(III) Other material contracts

1. Material contracts in the PRC

Number	Name of project	Contractual amounts (RMB 'million)	Signing Party/Parties	Term (months)
1	Riches Outlets City Plaza Project (天澤奧特萊斯城市廣場項目)	11,200	China MCC 20 Group Co., Ltd.	Depends on progress
2	Earthwork Stripping of Baijiazhuang Town, Wutai County (五台縣白家莊鎮土石方剝離工程)	4,000	China MCC 20 Group Co., Ltd.	Depends on progress
3	Shanty Town Renovation Project of Jiefang North Street, Fuyang - Universal International Square (阜陽解放北大街棚戶區改造項目-環球國際廣場)	3,500	China MCC 20 Group Co., Ltd.	Depends on progress
4	Infrastructure of the production line with annual paper production of two million tons of Changtai Paper (Wuhan) Co., Ltd. (昌泰紙業(武漢)有限責任公司年產200萬噸造紙生產線配套工程)	3,000	China MCC 22 Group Co., Ltd.	Depends on progress
5	Coal-Electricity-Salt-Chemistry Circular Economy Chemistry Engineering Project of Ningxia Jinyuyuan Guyuan Salt Chemistry Engineering (寧夏金昱元固原鹽化工煤-電-鹽-化循環經濟化工項目)	2,600	China MCC 17 Group Co., Ltd.	16
6	North Caiyuan Old Town Renovation Project of Xiangtai Xincheng, Fuping, Hebei (河北阜平祥泰新城北菜園舊城改造項目)	2,200	MCC TianGong Group Corporation Limited	31
7	Jinli · The Bund (勁力·外灘)	2,000	China MCC 5 Group Co., Ltd.	Depends on progress
8	Construction of the Complex Project of Lichuangcheng in Shenyang (瀋陽立創城綜合體項目施工)	2,000	China MCC 19 Group Co., Ltd.	30

Significant Events

Number	Name of project	Contractual amounts (RMB 'million)	Signing Party/Parties	Term (months)
9	General Engineering Contract of Construction and Installation of the General Phase I of the Mulan Project, Wenchang, Hainan (海南文昌木蘭項目大一期建築安裝工程施工總承包)	1,820	China MCC 20 Group Co., Ltd.	32
10	General Construction Contracting of International Finance City (Western District) in Shuangyin, Suzhou (蘇州雙銀國際金融城(西區)項目施工總承包工程)	1,520	China MCC 20 Group Co., Ltd.	40
11	Construction and Installation Project of "Xinjinyuan" Project (「新晉院」項目建築安裝工程)	1,400	MCC TianGong Group Corporation Limited	36
12	Construction Engineering Contract of the Renovation Project of the Deserted Bridge across Maling River (Bridge 3) in 324 National Road (324國道跨馬嶺河大橋危橋改造工程(3號大橋)建設工程施工合同)	1,400	MCC TianGong Group Corporation Limited	20
13	Renovation and Upgrading Project of the "South Frontier" in Cuiqing District, Yibin City (宜賓市翠屏區「南線」改造提升項目)	1,350	China MCC 5 Group Co., Ltd.	24
14	The Project of Relocation Housing, Social Security Housing and Residential and Commercial Housing of Langyuan (郎元還遷房、保障房及商住房項目)	1,200	MCC TianGong Group Corporation Limited	15
15	4200mm Thick Plate Project of Baosteel Guangdong Zhanjiang Steel Base Project (寶鋼廣東湛江鋼鐵基地項目4200mm厚板工程)	1,190	China MCC 20 Group Co., Ltd.	28
16	Comprehensive Beach-Improvement Project (Qingshan Section) of Wuqing Dyke (Tieji Road-Wufeng Floodgate) in Wuhan City (武漢市武青堤(鐵機路—武豐閘)堤防江灘綜合整治(青山段))	1,190	China First Metallurgical Group Co., Ltd.	36
17	Phase II of Jinfu Garden Project, Yushan District, Ma'anshan City (馬鞍山市雨山區金福花園二期項目)	1,120	China MCC 17 Group Co., Ltd.	24
18	Gaoyang Hanyuan International Commodities Trading Centre (高揚漢源國際商品交易中心)	1,120	China MCC 20 Group Co., Ltd.	33

Significant Events

Number	Name of project	Contractual amounts (RMB 'million)	Signing Party/Parties	Term (months)
19	YiMa Guangcai Grand Market Project of Jingmen Dongmeng Investment Co., Ltd. (荊門東盟投資有限公司一馬光彩大市場工程)	1,100	China First Metallurgical Group Co., Ltd.	Depends on progress
20	General Contracting (EPC) of Steelmaking Engineering of 3 Million-tonne Iron and Steel Project for Hubei Jinshenglan Metallurgical Technology Co., Ltd. (湖北金盛蘭冶金科技有限公司300萬噸鋼鐵項目煉鋼工程(EPC)總承包)	1,100	Shanghai Baoye Group Corp., Ltd.	11
21	Phase I and II Project of Huaqiaomeng World Movie Culture Complex (花橋夢世界電影文化綜合體一、二期工程)	1,090	MCC TianGong Group Corporation Limited	23
22	Turnkey General Construction Contracting of Quanzhou Mao Cheng Binjiang International Hotel and Commercial and Residential Project (泉州茂誠濱江國際酒店及商住項目交鑰匙總承包工程)	1,020	China MCC 20 Group Co., Ltd.	Depends on progress
23	Construction of Shanty Area Renovation Project of No.1 of Baihua New City (Douguan) in Guanshanhu District (觀山湖區百花新城一號(賓官)棚戶區改造項目建設)	1,000	MCC TianGong Group Corporation Limited	30
24	Project of Land Plot DE03-I-5 of Lingang Nicheng Community (臨港泥城社區DE03-I-5地塊項目)	1,000	China MCC 20 Group Co., Ltd.	22
25	General Construction Contracting of the Renovation Project of Shanty Area in Rong County, Zigong City (自貢市榮縣棚戶區改造工程總承包施工)	1,000	MCC TianGong Group Corporation Limited	36
26	Chinese and Russian International Culture, Logistics, Economic and Trade Industrial Park in Shuangyashan (雙鴨山中俄國際文化物流經貿產業園)	1,000	China MCC 19 Group Co., Ltd.	27
27	Gangda International Project in Xuanhua (宣化港達國際項目)	1,000	China MCC 22 Group Co., Ltd.	24

Significant Events

2. Material contracts of international projects

Number	Name of project	Contractual amounts (RMB 'million)	Signing Party/Parties	Term (months)
1	Construction Project of TROPICANA W hotel, Kuala Lumpur (吉隆坡 TROPICANA W hotel酒店建設項目)	1,030	MCC Overseas Ltd.	35

VII. PERFORMANCE STATUS OF THE UNDERTAKINGS

(I) Undertaking for share lock-up by the controlling shareholder

For the long-term sound development of the Company, MCC Group has undertaken to lock its 12,265,108,500 shares of the Company, which represents 64.18% of the total shares of the Company, for three years upon the expiry of the lock-up period from 21 September 2012 to 20 September 2015.

MCC Group has complied with the above undertakings during the Reporting Period.

(II) Undertakings regarding housing property rights and land use rights

Undertakings regarding application for certificates of buildings and lands are disclosed in the A Share prospectus of the Company. As considered and approved at the 2013 AGM of the Company, the undertaking plan was changed by the Company and Controlling Shareholders as follows: 1. the period of application for certificates in respect to a building with gross floor area of 156.01 m² that is expected to complete relevant application in the foreseeable future and two land parcels with site area of 15,959.20 m² in total is extended to within 36 months upon the approval of the general meeting; 2. the Company ceases to apply any ownership certificates in respect of 181 buildings and 11 land parcels for which relevant certificates cannot be obtained or the term of application for such certificates is uncertain.

The Company will take effective measures to facilitate any deferred application in a bid to obtain legal certificates as soon as practicable. As for the lands and properties for which the Company ceases to apply ownership certificates, given that MCC subsidiaries are still the obligees and effective users thereof, the Company will, in the interest of listed company and Shareholders, continue to designate staff specially responsible for the implementation of relevant matters or otherwise properly deal with flawed assets in other manner.

Pursuant to the Reorganisation Agreement entered into with the Company, MCC Group shall be responsible for all of the costs, expenses and claims generated from or in relation to above application for certificates of land and buildings as well as make compensation to MCC for any losses, claims, expenses and costs arising therefrom (for details please refer to the overseas regulatory announcement issued by the Company on 27 June 2014).

As at the end of the Reporting Period, one building included in the above change plan had obtained Building Ownership Certificate (with registered gross floor area of 155.64 m²) while the application for certificates of the remaining two land parcels was still undergoing.

Significant Events

VIII. APPOINTMENT OF ACCOUNTING FIRM AND REMUNERATION PAID DURING THE REPORTING PERIOD

Given that PricewaterhouseCoopers Zhong Tian LLP (the “PricewaterhouseCoopers Zhong Tian”) and PricewaterhouseCoopers (the “PricewaterhouseCoopers”) had provided audit services to the Company for certain years, the Company ceased to reappoint PricewaterhouseCoopers Zhong Tian and PricewaterhouseCoopers in compliance with relevant rotation requirements by the SASAC under the State Council. Upon approval at the 2013 AGM of the Company, the Company appointed Deloitte Touche Tohmatsu CPA LLP as the auditor of the financial report of the Company for the year of 2014, and the internal control auditor of the Company for the year of 2014 to hold office until the 2014 annual general meeting. The Board of the Company has been authorised to determine their remunerations.

IX. THE PENALTIES AND RECTIFICATION OF THE LISTED COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT, SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON OF THE COMPANY

During the Reporting Period, none of the Company, its Directors, Supervisors, senior management, Shareholders holding more than 5% of shares or ultimate controlling person was subject to any investigations, administrative penalties and criticisms by notice by CSRC and any public censure from stock exchanges.

X. REVIEW OF INTERIM RESULTS BY FINANCE AND AUDIT COMMITTEE

The Finance and Audit Committee has reviewed the unaudited interim results of the Company for the six months ended 30 June 2014. The committee was of the opinion that the unaudited interim results for the six months ended 30 June 2014 had been in compliance with the applicable accounting principles as well as laws and regulations, and has been properly disclosed.

XI. OTHER SIGNIFICANT EVENTS

1. Changes in accounting policies

Please refer to “(31) Changes in accounting policy” under Note II “Significant Accounting Policies And Accounting Estimates” to the Financial Report for details of the changes in accounting policies of the Company during the Reporting Period.

2. Status of the substantial resources projects

(1) Saindak Copper-Gold Mine Project, Pakistan

From January to June 2014, Saindak Copper-Gold Mine produced 5,110 tonnes of blister copper, representing 42.2% of the yearly plan. With sales of 4,034 tonnes, the revenue and total profit amounted to RMB237.49 million and RMB14.39 million respectively.

(2) Ramu Nickel-Cobalt Project, Papua New Guinea

From January to June 2014, the capacity of Ramu Nickel-Cobalt Mine increased to 70% of the designed capacity from 50% at the beginning of the year. The output of nickel and cobalt hydroxide amounted to 25,338 tonnes (on dry basis) which can be converted into 9,392 tonnes of nickel metal and 957 tonnes of cobalt, representing 41.2% and 43.04% of yearly plans respectively. Sales of nickel and cobalt hydroxide were equivalent to 9,100 tonnes of nickel metal and 910 tonnes of cobalt metal, contributing revenue of RMB757.995 million and loss of RMB349.381 million.

Significant Events

(3) Aynak Copper Mine Project, Afghanistan

During the reporting period, the Company continued to facilitate relevant amendments to the mining contracts with the Afghanistan government. As the project site was under attack for more than once, and the security situation of the project was further deteriorated, the Company had evacuated all the Chinese technicians back to China for the sake of safety expect certain required security personnel.

(4) Sierra Grande Iron Ore Project, Argentina

From January to June 2014, Sierra Grande Iron Ore produced 155,000 tonnes of iron ore concentrates, representing 34.4% of the yearly plan. With sales of 215,000 tonnes, the revenue amounted to RMB133.96 million while the loss amounted to RMB118.14 million, including loss from foreign exchange of RMB117.01 million. The project's failure in achieving production plan was mainly attributable to the disruption of water supply caused by the sudden rainstorm in Argentina which affected the regular production of the project.

(5) Duddar Lead-Zinc Mine Project, Pakistan

In the first half of 2014, on-site maintenance and maintenance of underground system and other relevant work were conducted by the Company. In the meantime, MCC Tongsin Resources Ltd., a wholly-owned subsidiary of the Company, acquired the disposal right in respect of the assets of Duddar Company* (杜達公司) (MCC Tongsin Resources Ltd. holding 51% equity) by exercise of mortgage and pledge right, and appointed a tendering company to proceed with public sales of assets of Duddar Lead-Zinc Mine Project pursuant to laws. China Huaye Group Co., Ltd., a wholly-owned subsidiary of the Company won the bidding and obtained the assets of Duddar Lead-Zinc Mine Project in compliance with relevant laws. The resumption of production and construction is in progress at present.

(6) Cape Lambert Iron Ore Project, Australia

The Company is still seeking for proper strategic investor while the maintenance of the mine is conducted regularly at present. The relevant information of attribution in respect of the dispute on the final tranche of payment are set out in the section heading "Significant Proceedings and Attribution" on page 46 of this report.

3. Nanjing Linjiang Old Town Renovation, Construction and Investment Co., Ltd. (南京臨江老城改造建設投資有限公司) (the "Project Company"), which is owned by MCC Real Estate Group Co., Ltd., a wholly-owned subsidiary of the Company, won the bid of the land use rights of land no. 1 and land no. 3 at the west of Jiangbian Road, Binjiang, Xiaguan District of Nanjing city on 19 September 2010. The consideration of the land transfers was RMB12,141 million and RMB7,893 million respectively, aggregating RMB20,034 million (for details, please refer to the announcement published by the Company on 20 September 2010).

Significant Events

Given the large-scale and long development cycle of the Land No. 1 and the Land No. 3, the Project Company will prioritize the development of the Land No. 3 and intends to introduce other parties to participate in the development of the Land No. 1 in accordance with the development plan specified in the project plan, or to dispose the land through equity listing procedures at different stages in order to safeguard the return on investment of the project. On 10 March 2014, the Project Company transferred the 60% equity interest in Nanjing Gangning Real Estate Co., Ltd.* (南京港寧置業有限公司) and Nanjing Longjiangwan Real Estate Co., Ltd.* (南京龍江灣置業有限公司), respectively, as well as the 100% equity interest in Nanjing Lifang Real Estate Co., Ltd.* (南京立方置業有限公司) at Shanghai United Assets and Equity Exchange. On 29 May 2014, upon obtaining the written approval of MCC Group, the large shareholder, the Company intended to transfer the remaining 40% equity of Nanjing Gangning Real Estate Co., Ltd.* and Nanjing Longjiangwan Real Estate Co., Ltd.* respectively, as well as the 100% equity the relevant liability of Nanjing Jinmingcheng Real Estate Co., Ltd.* (南京金名城置業有限公司), Nanjing Ganghong Real Estate Co., Ltd.* (南京港鴻置業有限公司), Nanjing Wudaokou Real Estate Co., Ltd.* (南京五道口置業有限公司), Nanjing Zhengda Sanjiaozhou Real Estate Co., Ltd.* (南京證大三角洲置業有限公司) and Nanjing Zhengda Kuanyu Real Estate Co., Ltd.* (南京證大寬域置業有限公司) respectively and relevant receivable. On 30 May and 4 August 2014, the equity interest and relevant liability of Nanjing Jinmingcheng Real Estate Co., Ltd.* and Nanjing Wudaokou Real Estate Co., Ltd.* transferred by the Project Company at Shanghai United Assets and Equity Exchange became part of contemplated transfer in the series. During the Reporting Period, the aggregated transaction price of certain transferred equity and relevant liability amounted to approximately RMB6.55 billion (for details please refer to the announcements issued by the Company on 10 March, 29 May, 30 May and 4 August 2014).

4. On 28 May 2014, MCC Real Estate Group Co., Ltd. (the "MCC Real Estate"), a wholly-owned subsidiary of the Company, acquired the land parcel at No. 7 Lane, the New Eight Lanes Area, Heiniucheng Road, Tianjin through public auction at the consideration of RMB4,949 million. The land parcel is located at to the north of Heiniucheng Road, Hexi District of Tianjin. It spans from North Neijiang Road in the east to Hongze Road in the west and from Heiniucheng Road in the south to South Dagu Road in the north, and is used as land for urban residential, land for commerce and service and land for science and education. MCC Real Estate had received the Confirmation Letter on 28 May 2014 (for details please refer to the announcement issued by the Company on 28 May 2014). During the reporting period, MCC Real Estate had commenced relevant preparation work including project positioning scheme as well as planning and design.
5. As considered and approved at the general meeting of the Company as well as registered with National Association of Financial Market Institutional Investors, extra short-term debentures issued by the Company during the reporting period are as follows:

No.	Issue date	Name	Amount	Interest rate	Term	Date of issuance result announcement
1	2014/2/11	2014 Tranche I Extra Short-Term Debentures	RMB3.5 billion	6.0%	180 days	2014/2/15
2	2014/3/13	2014 Tranche II Extra Short-Term Debentures	RMB3.5 billion	5.6%	180 days	2014/3/18

Changes in Share Capital and Particulars of Shareholders

I. CHANGES IN SHARE CAPITAL

(I) Changes in Shares

As of 30 June 2014, the Company had a registered capital of RMB19,110,000,000, divided into 19,110,000,000 shares with a nominal value of RMB1.00 each. These shares include:

Class of shares	Number of shares
H Shares	2,871,000,000
A Shares	16,239,000,000
Total number of shares	19,110,000,000

There were no changes in the shares of the Company during the Reporting Period.

(II) Changes in Shares Subject to Selling Restrictions

There were no share of the Company subject to selling restrictions during the Reporting Period.

(III) Changes in Total Number of Shares and Share Capital Structure of the Company

There were no changes in the total number of shares, nor were there any changes in the share capital structure of the Company during the Reporting Period.

(IV) Existing Internal Employee Shares

The Company had no internal employee shares during the Reporting Period.

(V) Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

(VI) Pre-Emptive Rights and Share Option Arrangements

There are no mandatory provisions for pre-emptive rights under the Articles of Association of the Company. Subject to the Hong Kong Listing Rules and pursuant to the requirements under the Articles of Association, the Company may increase its registered capital by issuing shares through public or non-public offering, issuing new shares to existing Shareholders, converting capital reserve to share capital or by using other methods as permitted by laws and administrative regulations or approved by relevant authorities.

During the Reporting Period, the Company did not have any share option arrangements.

Changes in Share Capital and Particulars of Shareholders

II. PARTICULARS OF SHAREHOLDERS AND ULTIMATE CONTROLLING PERSON

(I) Number of Shareholders and their shareholding

As at the end of the Reporting Period, the Company had a total of 316,730 Shareholders. Among which, 308,639 were holders of A Shares and 8,091 were registered holders of H Shares.

1. Particulars of the Top 10 Shareholders ^(Note 1)

Unit: Share

Name of Shareholder	Change during the Reporting Period	Total number of shares held at the end of the period	Percentage of shareholdings (%)	Number of shares held subject to selling restrictions	Status of shares pledged or frozen	Nature of Shareholder
China Metallurgical Group Corporation	0	12,265,108,500	64.18%	0	0	State-owned legal person
HKSCC Nominees Limited ^(Note 2)	-675,000	2,838,054,000	14.85%	0	0	Other
Baosteel Group Corporation	0	121,891,500	0.64%	0	0	State-owned legal person
Bank of China Limited — Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司—嘉實滬深300 交易型開放式指數證券投資基金)	-447,294	25,763,309	0.13%	0	0	Other
Minsheng Life Insurance Company Limited — Traditional Insurance Product (民生人壽保險股份有限公司 —傳統保險產品)	-2,000,000	24,480,155	0.13%	0	0	Other
Industrial and Commercial Bank of China Limited—Huaxia CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司 —華夏滬深300交易型開放式 指數證券投資基金)	1,357,300	18,788,200	0.10%	0	0	Other
Industrial and Commercial Bank of China Limited — Huatai Bairui CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司 —華泰柏瑞滬深300交易型 開放式指數證券投資基金)	4,040,596	17,549,603	0.09%	0	0	Other
Li Gelan (李裕蘭)	2,589,200	17,264,502	0.09%	0	0	Other
China Construction Bank Corporation — Boseru Yufu CSI 300 Index Fund (中國建設銀行股份有限公司 —博時裕富滬深300指數證券投資基金)	16,599,644	16,599,644	0.09%	0	0	Other
China Petroleum Finance Co., Ltd. (中油財務有限責任公司)	0	16,537,948	0.09%	0	0	Other

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 30 June 2014.

Note 2: The H Shares held by HKSCC Nominees Limited are those held on behalf of its beneficial owners.

Changes in Share Capital and Particulars of Shareholders

2. Particulars of Top 10 Holders of Shares Not Subject to Selling Restrictions ^(Note 1)

Unit: Share

Name of Shareholder	Number of shares held not subject to selling restrictions	Type of shares
China Metallurgical Group Corporation	12,265,108,500	A Shares
HKSCC Nominees Limited ^(Note 2)	2,838,054,000	H Shares
Baosteel Group Corporation	121,891,500	A Shares
Bank of China Limited — Harvest CSI 300 Trading Open-end Index Securities Investment Fund (中國銀行股份有限公司 — 嘉實滬深300交易型開放式指數證券投資基金)	25,763,309	A Shares
Minsheng Life Insurance Company Limited — Traditional insurance product (民生人壽保險股份有限公司 — 傳統保險產品)	24,480,155	A Shares
Industrial and Commercial Bank of China Limited — Huaxia CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司 — 華夏滬深300交易型開放式指數證券投資基金)	18,788,200	A Shares
Industrial and Commercial Bank of China Limited — Huatai Bairui CSI 300 Trading Open-end Index Securities Investment Fund (中國工商銀行股份有限公司 — 華泰柏瑞滬深300交易型開放式指數證券投資基金)	17,549,603	A Shares
Li Gelan (李格蘭)	17,264,502	A Shares
China Construction Bank Corporation — Bosera Yufu CSI 300 Index Fund (中國建設銀行股份有限公司 — 博時裕富滬深300指數證券投資基金)	16,599,644	A Shares
China Petroleum Finance Co., Limited (中油財務有限責任公司)	16,537,948	A Shares

Explanations on the connections or parties acting in concert with the aforesaid Shareholders The Company is not aware of the existence of any connections or parties acting in concert with the aforesaid Shareholders.

Note 1: Figures in the table were extracted from the Company's register of Shareholders as at 30 June 2014.

Note 2: The H Shares held by HKSCC Nominees Limited are those held on behalf of its beneficial owners.

3. Number of shares held by top 10 holders of shares subject to selling restrictions and information on the selling restrictions

During the Reporting Period, none of the shares of the Company were subject to selling restrictions.

Changes in Share Capital and Particulars of Shareholders

(II) Specifications on Controlling Shareholder and Ultimate Controlling Person

1. Specifications our controlling shareholder

The controlling shareholder of the Company is China Metallurgical Group Corporation, holding 64.18% of the shares of the Company, whose registered office is MCC Tower, 28 Shuguang Xili, Chaoyang District, Beijing and the legal representative is Guo Wenqing. As at the date of the issue of this report, the registered capital is RMB8,538,555,870.73.

MCC Group, whose predecessor is China Metallurgical Construction Corporation (中國冶金建設公司), is a large state-owned enterprise under the supervision of the SASAC. In 1994, upon the approval of the former State Economic and Trade Commission, China Metallurgical Construction Corporation was renamed as China Metallurgical Construction Group Corporation (中國冶金建設集團公司), based on which MCC Group was set up. On 12 March 2006, the SASAC approved China Metallurgical Construction Group Corporation to be renamed as China Metallurgical Group Corporation. On 27 April 2009, upon the approval of the SASAC, MCC Group was transformed into a wholly state-owned company - China Metallurgical Group Corporation (中國冶金科工集團有限公司). Following the incorporation of the Company, MCC Group, as the controlling shareholder of the Company, mainly functions as a Shareholder of the Company, and disposes of and liquidates its retained assets.

2. Specifications on ultimate controlling person

The State-owned Assets Supervision and Administration Commission of the State Council is the ultimate controlling person of the Company.

3. Changes in controlling shareholder and ultimate controlling person

During the Reporting Period, the controlling shareholder and the ultimate controlling person of the Company remained unchanged.

(III) Other Corporate Shareholders Holding More Than 10% of the Company's Shares

As at the end of the Reporting Period, except for HKSCC Nominees Limited, there were no other corporate Shareholders holding more than 10% of the Company's shares.

Changes in Share Capital and Particulars of Shareholders

(IV) Substantial Shareholders' and Other Persons' Interests and Short Positions of the Shareholdings in Shares and Underlying Shares

As at 30 June 2014, the Company had been informed by the following persons that they had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Holders of A Shares

Name of substantial Shareholder	Capacity	Number of A Shares	Nature of interest	Approximate percentage of total issued A Shares (%)	Approximate percentage of total issued shares (%)
China Metallurgical Group Corporation	Beneficial owner	12,265,108,500	Long position	75.53	64.18

Holders of H Shares

Name of substantial Shareholder	Capacity	Number of H Shares	Nature of interest	Approximate percentage of total issued H Shares (%)	Approximate percentage of total issued shares (%)
China Life Insurance (Group) Company	Interest in a controlled corporation	172,800,000	Long position	6.02	0.9
China Life Insurance (Overseas) Company Limited ^(Note)	Beneficial owner	172,800,000	Long position	6.02	0.9

Note: China Life Insurance (Overseas) Company Limited is a wholly-owned subsidiary of China Life Insurance (Group) Company.

Save as disclosed above, to the knowledge of the Directors, Supervisors and chief executives of the Company, as at 30 June 2014, no other person or corporation was recorded in the register required to be kept under section 336 of the SFO as having an interest or short position in the Company's share capital that would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

Directors, Supervisors, Senior Management and Staff

I. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 1 April 2014, the Board of the Company received the written resignation report of the executive director Mr. Shen Heting. Mr. Shen Heting has reached his statutory retirement age and resigned from the positions of executive director of the Company and a member of the special committee of the Board. On 27 June 2014, the 2013 Annual General Meeting elected Mr. Zhang Zhaoxiang as the executive director of the Company.

II. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS IN SECURITIES

1. Directors', Supervisors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2014, as far as the Company is aware, interests or short positions of the Directors, Supervisors and the chief executive of the Company or their associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Hong Kong Stock Exchange by the Directors or Supervisors pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules or the rights granted for the purchase of shares or debentures of the Company or any of its associated corporations are as follows:

Unit: Share

Name	Position	Class of Shares	Long/short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Directors							
Guo Wenqing	Chairman and Executive Director	A Shares	Long Position	Beneficial Owner	130,000	0%	0%
Jing Tianliang	Non-executive Director	A Shares	Long Position	Beneficial Owner	150,000	0%	0%
Zhang Zhaoxiang	President and Executive Director	A Shares	Long Position	Beneficial Owner	80,000	0%	0%
Chen Yongkuan	Independent non-executive Director	A Shares	Long Position	Beneficial Owner	30,000	0%	0%
Lin Jinzhen	Employee Representative Director (Non-executive Director)	H Shares A Shares	Long Position Long Position	Beneficial Owner Beneficial Owner	100,000 60,000	0% 0%	0% 0%
Shen Heting	— ^(Note)	A Shares	Long Position	Beneficial Owner	150,000	0%	0%
Supervisors							
Shan Zhongli	Chairman of the Supervisory Committee	A Shares	Long Position	Beneficial Owner	50,000	0%	0%
Peng Haiqing	Supervisor	A Shares	Long Position	Beneficial Owner	55,000	0%	0%
Shao Bo	Employee Representative Supervisor	A Shares	Long Position	Beneficial Owner Interests of spouse	45,000 1,000	0% 0%	0% 0%

Note: On 1 April 2014, Mr. Shen Heting has reached his statutory retirement age and resigned the positions of executive director of the Company and a member of the special committee of the Board.

Directors, Supervisors, Senior Management and Staff

Save as disclosed above and as at 30 June 2014, as far as the Company is aware, none of the Directors, Supervisors or the chief executive of the Company or their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

2. Other Senior Management's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2014, as far as the Company is aware, interests of other senior management of the Company in the shares of the Company are as follows:

Unit: share

Name	Position	Class of shares	Long/ short position	Capacity	Number of shares	Percentage of the relevant class of shares in issue (%)	Percentage of the total number of shares in issue (%)
Huang Dan	Vice President	A Shares	Long Position	Beneficial Owner	80,000	0%	0%
Wang Yongguang	Vice President	A Shares	Long Position	Beneficial Owner	50,000	0%	0%
Li Shiyu	Vice President, Accountant (chief financial officer)	A Shares	Long Position	Beneficial Owner	80,000	0%	0%
Wang Xiufeng	Vice President	A Shares	Long Position	Beneficial Owner	80,000	0%	0%
Kang Chengye	Secretary to the Board and Company Secretary	A Shares	Long Position	Beneficial Owner	80,000	0%	0%

Directors, Supervisors, Senior Management and Staff

III. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2014, the Company employed a total of 114,998 members of staff.

Level of Education of Current Employees:

Level of Education	Number of Current Employees	Percentage
Above Postgraduate	7,682	6.68%
Undergraduate	37,478	32.59%
College degree	23,885	20.77%
Below college degree	45,953	39.96%
Total	114,998	100%

Structure of Ages of Current Employees:

Structure of ages	Number of Current Employees	Percentage
Aged 56 or above	3,864	3.36%
Aged 51-55	9,487	8.25%
Aged 46-50	17,077	14.85%
Aged 41-45	20,481	17.81%
Aged 36-40	15,180	13.20%
Aged 35 or below	48,909	42.53%
Total	114,998	100%

The Company implements a remuneration system on the basis of market-orientation and performance appraisal. In accordance with applicable regulations, the Company established the pension contribution plan, medical insurance, unemployment insurance, maternity insurance, workers' injury compensation insurance and housing fund for employees. In accordance with applicable PRC laws and regulations, the amount of contribution to the aforesaid social securities and housing fund are strictly based on state, provincial and municipal requirements of the PRC. As approved by higher authorities, the Company also set up its enterprise annuity for employees according to applicable PRC regulations.

Corporate Governance

During the Reporting Period, the Company had been in strict compliance with relevant laws such as the Company Law, Securities Law and the Hong Kong Listing Rules, administrative regulations and regulations related to corporate governance in domestic and overseas listing places. The Company improved its corporate governance structure in a continuous basis, strived to boost the operation efficiency of the Board, disclosed information in accordance with laws and regulations, and actively expanded the communication channels for investors. The level of corporate governance steadily improved.

The Board had reviewed the corporate governance documents of the Company and was of the opinion that, during the Reporting Period, except for the provision that “every director should be subject to retirement by rotation at least once every three years” and that in relation to “the audit committee’s terms of reference” as stipulated in code provisions A.4.2 and C.3.3 respectively of Corporate Governance Code, the Company had complied with the provisions of the Corporate Governance Code.

On 27 June 2014, the Company convened the 2013 AGM. Except for Mr Chen Yongkuan, a Director, who was not able to be present due to health reason, all the other 8 Directors and all the Supervisors attended the meeting. Senior management of the Company was also present at the meeting. The following reports were considered and approved at the meeting: the work report of the Board and the work report of the Supervisory Committee for 2013, the proposed final account report and the proposed profit distribution plan for 2013, the appointment of domestic and overseas auditors and auditors on internal control for 2014, the remunerations for Directors and Supervisors for 2013, as well as the guarantee plans and the plans of bond issuance, 2014 amendments of Articles of Association, the Rule of Procedures for Board Meeting, modification of the under-takings for applying for certificates for flawed real estates and electing executive directors. Meanwhile, the 2013 Performance Report by Independent Directors (《2013年度獨立董事述職報告》) was received. During the Reporting Period, the Company has convened 8 Board meetings, 14 Special Committee meetings and 3 meetings of the Supervisory Committee. The convention of each meeting of the Company was mostly in compliance with relevant requirements of the Company Law and its Articles of Association.

During the Reporting Period, in accordance with the changes related to supervising regulations combined with the actual situation of the Company, the Company revised the Articles of Association to ensure that the Company’s financial statements are prepared in accordance with the PRC GAAP and regulations.

During the Reporting Period, the Company completed the work of information disclosure in strict compliance with relevant requirements of CSRC, the Shanghai Stock Exchange and the Hong Kong Stock Exchange, further strengthened the communications with investors and related parties in capital markets. The Company was rated as the A class listing company for information disclosure by the Shanghai Stock Exchange. Firstly, the Company studied the latest requirements of supervisory regulations in advance and carefully compiled regular reports and temporary announcements. Based on the compliance with information disclosure, the Company increased the pertinence and effectiveness of information disclosure. Secondly, the Company further strengthened voluntary information disclosure. Targeting at the significant events which attracted the attention of both A+H capital markets, the Company established detailed plans to ensure the completeness and accuracy of the disclosed information, protected the information rights of the investors and further built the image of a responsible listed company. Thirdly, by holding annual results discussion meetings, one-to-one communication meetings with investors, general meetings, daily communications and various other methods, the Company further strengthened the communication and interaction with investors, analysts and financial media, and increased the understanding of market-related parties about the Company. These measures not only showed the brand new image of the Company to the capital market but also won the high attention from various parties in the capital market, thus boosted market’s confidence.

Corporate Governance

During the Reporting Period, pursuant to Basic Standard for Enterprise Internal Control (《企業內部控制基本規範》) and its supporting guidelines, the Company further improved the internal control system and scientifically implemented the standards of internal control in an orderly manner. Firstly, based on the work of last year, the Company continued to promote the development of the internal control system and formulated the 2014 Working Plans for Risk Management and Internal Control of Metallurgical Corporation of China Ltd. (《中國冶金科工股份有限公司2014年度風險管理與內部控制工作方案》), which specified the various working arrangements for 2014 risk management and internal control development, evaluation and internal control auditing. Secondly, the Company organized self-review and diagnosis of the internal control system. By taking into account the requirements of internal and external supervising agencies and the actual situation of the Company, it diagnosed the effectiveness and applicability of the internal control system from various angles, targeting at the problem of the lack of the internal control system to propose effective suggestions to rectify the internal control system. Thirdly, the Company continued to improve the system of the Company's regulations, and formulated 2014 Plan for the Development of an Internal Control System (《2014年度內控制度體系建設方案》). The initiative specifically improved the implementation methods of the system and all protective measures, forming a three-level regime comprised of the basic management framework, management measures/specific regulations and implementation rules. Fourthly, the Company formulated Regulations on Management of Rules and Regulations (《規章制度管理規定》) to further unify and regulate the working procedures of the establishment, amendment and abolishment of rules and regulations and ensure scientific, systematic and effective designs of regulations. Fifthly, the Company initiated trainings on internal control to ensure the universality, differentiation and regularity of the trainings in internal control.

Accordingly to the stipulation of the Company Law, relevant regulatory rules and the Articles of Association of the Company, the term of office of the Company's Board and the Supervisory Committee is 3 years. As at the end of the Reporting Period, the first session of the Board and the Supervisory Committee of the Company had been in office for more than 3 years. Pursuant to the relevant provisions of the Company Law and the Articles of Association, prior to the establishment of the second session of the Board and the Supervisory Committee as well as the election of Directors and Supervisors for the coming session, the members of the first session of the Board and the Supervisory Committee shall still continue to discharge their duties. The Company is currently considering the composition of the second session of the Board and the Supervisory Committee, which is subject to relevant regulatory approvals, and any proposed nomination or re-election of Directors and Supervisors will be submitted to a general meeting of the Company for consideration or approval once the Company is in a position to do so. Certain deviations have been found in aforementioned situation as the code provision A.4.2 of Corporate Governance Code requires that "every director should be subject to retirement by rotation at least once every three years". In addition, as stipulated in paragraphs (f), (g) and (h) of the code provision C.3.3 of Corporate Governance Code, the terms of reference of the Finance and Audit Committee of the Board shall include reviewing financial control, internal control and risk management system of the Company; discussing the internal control system with management to ensure that the management have performed their duties in establishing an effective internal control system; and considering major investigation findings on internal control matters and management's response to these findings on the Committee's own initiative or as delegated by the Board or on its own initiative. Since the Company attaches great importance to the work related to risk management, it established the Risk Management Committee in 2010 which would be responsible for internal control and risk management, and therefore leading to a technical deviation from the requirements of paragraphs (f), (g) and (h) of the code provision C.3.3.

Furthermore, the Company has adopted the Model Code as the code governing the dealings in the Company's securities by Directors and Supervisors. Having made specific enquiries with all Directors and Supervisors, the Company confirmed that all Directors and Supervisors had fully complied with the requirements set out in the Model Code for the six months ended 30 June 2014.

Report On Review Of Interim Financial Statements



De Shi Bao (Yue) Zi (14) No. R0029

TO THE SHAREHOLDERS OF METALLURGICAL CORPORATION OF CHINA LTD.:

We have reviewed the accompanying interim financial statements of Metallurgical Corporation of China Ltd (the "Company"), which comprise the Company's and the consolidated balance sheets as at 30 June 2014, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in equity and the Company's and consolidated cash flow statements for the six months then ended, and notes to the financial statements (hereinafter collectively referred to as the "Interim Financial Statements"). The preparation of the Interim Financial Statements are the responsibilities of the Company's management. Our responsibility is to express a conclusion on these Interim Financial Statements based on our review.

We conducted our review in accordance with China Certified Public Accountant Review Standard No.2101 - Review of Financial Statements. This Standard requires us to plan and perform the review to obtain limited assurance about whether the Interim Financial Statements are free from material misstatement. A review is limited primarily to procedures as enquiry of entity's personnel and analytical review procedures applied to the financial information and thus provides less assurance than an audit. We have not performed an audit, and therefore we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Statements of Metallurgical Corporation of China Ltd. which comprised the Company's and consolidated balance sheets as at 30 June 2014, and the Company's and consolidated income statements, the Company's and consolidated statements of changes in shareholders' equity and the Company's and consolidated cash flow statements for the six months then ended are not prepared, in all material respects, in accordance with China Accounting Standards.

Deloitte Touche Tohmatsu CPA LLP.

Chinese Certified Public Accountants:

Ma Yan Mei

Chen Wen Long

Shanghai, China

29 August 2014

The report on review of interim financial statements and the accompanying financial statements are English translations of the report on review of interim financial statements and financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated and Company Balance Sheet

AT 30 JUNE 2014

(All amounts in RMB'000 unless otherwise stated)

Assets	Notes	2014.06.30 Group (Unaudited)	2013.12.31 Group (Audited) (Restated)	2014.06.30 Company (Unaudited)	2013.12.31 Company (Audited) (Restated)
Current Assets:					
Cash and bank balances	(V)1	28,038,785	33,585,579	4,693,790	6,931,616
Held-for-trading financial assets	(V)2	36,317	41,560	—	—
Notes receivable	(V)3	9,897,657	11,141,096	—	19,700
Accounts receivable	(V)6; (XV)1	56,060,666	52,597,630	295,347	702,073
Prepayments	(V)8	15,879,290	15,037,010	356,367	338,273
Interest receivable	(V)5; (XV)2	26,401	11,679	5,020,630	4,647,420
Dividends receivable	(V)4; (XV)3	101,778	642	1,770,084	2,001,841
Other receivables	(V)7; (XV)4	20,465,554	13,844,812	26,036,862	25,655,321
Inventories	(V)9	110,285,725	107,930,551	411,581	309,860
Non-current assets due within one year	(V)13	3,901,326	4,369,433	2,089,950	2,163,317
Other current assets	(V)10	1,720,032	1,394,202	688	2,517
Total Current Assets		246,413,531	239,954,194	40,675,299	42,771,938
Non-current Assets:					
Available-for-sale financial assets	(V)11	1,437,619	1,400,704	231	231
Held-to-maturity investments	(V)12	20	20	—	—
Long-term receivables	(V)13; (XV)5	25,235,272	20,342,364	8,914,509	8,865,711
Long-term equity investments	(V)14; (XV)6	5,155,469	4,133,422	69,307,452	68,042,986
Investment properties	(V)16	2,068,977	1,817,637	109,728	110,669
Fixed assets	(V)17	32,658,605	33,382,887	71,183	71,534
Construction in progress	(V)18	2,605,053	2,855,270	—	—
Materials for construction of fixed assets	(V)19	48,734	48,386	—	—
Intangible assets	(V)20	15,099,196	15,278,732	14,923	16,110
Goodwill	(V)21	258,209	278,451	—	—
Long-term prepayments	(V)22	170,746	176,881	—	—
Deferred tax assets	(V)23	2,974,706	2,987,346	—	—
Other non-current assets	(V)24	218,766	228,145	—	—
Total Non-current Assets		87,931,372	82,930,245	78,418,026	77,107,241
TOTAL ASSETS		334,344,903	322,884,439	119,093,325	119,879,179

Consolidated and Company Balance Sheet

AT 30 JUNE 2014

(All amounts in RMB'000 unless otherwise stated)

Liabilities and shareholders' equity	Notes	2014.06.30 Group (Unaudited)	2013.12.31 Group (Audited)	2014.06.30 Company (Unaudited)	2013.12.31 Company (Audited)
Current Liabilities:					
Short-term borrowings	(V)27; (XV)7	50,674,542	45,080,598	18,737,926	15,995,038
Notes payable	(V)28	12,163,055	7,610,246	—	—
Accounts payable	(V)29	73,646,921	70,186,463	972,942	942,816
Advances from customers	(V)30	34,350,121	35,311,169	270,270	407,671
Employee benefits payable	(V)31	2,104,985	1,960,291	9,067	9,458
Taxes payable	(V)32	6,653,913	7,304,737	46,227	55,017
Interest payable	(V)33	1,238,822	976,378	1,124,203	770,894
Dividends payable	(V)34	1,870,554	798,649	1,165,710	—
Other payables	(V)35; (XV)8	19,829,495	19,793,109	8,080,348	6,755,783
Non-current liabilities due within one year	(V)37; (XV)9	11,361,162	11,096,007	739,154	564,154
Other current liabilities	(V)38	10,957,075	18,927,212	10,900,000	18,900,000
Total Current Liabilities		224,850,645	219,044,859	42,045,847	44,400,831
Non-current Liabilities:					
Long-term borrowings	(V)39; (XV)10	23,612,364	21,618,045	6,985,999	3,595,956
Bonds payable	(V)40; (XV)11	23,640,175	20,606,063	17,622,643	17,574,737
Long-term payables	(V)41	372,844	266,293	78,980	78,980
Special payables	(V)42	74,341	42,720	—	—
Provisions	(V)36	4,090,209	4,049,770	22,810	21,641
Deferred tax liabilities	(V)23	483,415	562,091	—	—
Other non-current liabilities	(V)43	1,537,654	1,629,379	977	1,138
Total Non-current Liabilities		53,811,002	48,774,361	24,711,409	21,272,452
TOTAL LIABILITIES		278,661,647	267,819,220	66,757,256	65,673,283

Consolidated and Company Balance Sheet

AT 30 JUNE 2014

(All amounts in RMB'000 unless otherwise stated)

Liabilities and shareholders' equity	Notes	2014.06.30 Group (Unaudited)	2013.12.31 Group (Audited)	2014.06.30 Company (Unaudited)	2013.12.31 Company (Audited)
SHAREHOLDERS' EQUITY:					
Share capital	(V)44	19,110,000	19,110,000	19,110,000	19,110,000
Capital reserve	(V)45	18,400,121	18,613,482	33,479,490	33,478,864
Less: Treasury shares		—	—	—	—
Special reserve		12,550	12,550	12,550	12,550
Surplus reserve	(V)46	420,659	420,659	420,659	420,659
Retained profits	(V)47	7,228,806	6,585,181	(688,810)	1,181,626
Exchange fluctuation reserve		(353,633)	(200,572)	2,180	2,197
Total shareholders' equity attributable to equity holders of the Company		44,818,503	44,541,300	52,336,069	54,205,896
Non-controlling interests		10,864,753	10,523,919	—	—
TOTAL SHAREHOLDERS' EQUITY		55,683,256	55,065,219	52,336,069	54,205,896
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		334,344,903	322,884,439	119,093,325	119,879,179

Legal Representative
Guo Wenqing

Chief Financial Controller
Li Shiyu

Chief Accountant
Fan Wanzhu

The accompanying notes form part of the interim financial statements.

Consolidated and Company Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB'000 unless otherwise stated)

Items	Notes	Six months ended	Six months ended	Six months ended	Six months ended
		2014.06.30	2013.06.30	2014.06.30	2013.06.30
		Group	Group	Company	Company
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
I Total operating income		96,166,552	91,153,210	707,956	393,163
Including: Operating income	(V)48; (XV)12	96,166,552	91,153,210	707,956	393,163
II Total operating costs		93,981,253	89,680,970	1,421,522	1,244,058
Including: Operating costs	(V)48; (XV)12	84,296,869	79,185,856	706,465	386,925
Business taxes and levies	(V)49	2,397,811	2,571,614	5,650	—
Selling expenses	(V)50	689,284	711,061	—	3,700
Administrative expenses	(V)51	3,871,026	4,108,741	74,672	56,588
Finance costs	(V)52	1,632,237	2,507,110	605,834	548,243
Impairment losses of assets	(V)55; (XV)13	1,094,026	596,588	28,901	248,602
Add: Gains from changes					
in fair values	(V)53	(5,244)	(1,838)	—	—
Investment income	(V)54	541,072	528,534	(40)	—
Including: Income from					
investments in					
associates and					
joint ventures		(124,242)	(860)	(40)	—
III Operating profit		2,721,127	1,998,936	(713,606)	(850,895)
Add: Non-operating income	(V)56	561,177	469,461	3	222
Less: Non-operating expenses	(V)57	104,691	70,988	24	226
Including: Losses from disposal of					
non-current assets		20,513	12,446	24	226
IV Total profit		3,177,613	2,397,409	(713,627)	(850,899)
Less: Income tax expenses	(V)58	1,216,107	1,040,104	(8,901)	25,870

Consolidated and Company Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB'000 unless otherwise stated)

Items	Notes	Six months ended 2014.06.30 Group (Unaudited)	Six months ended 2013.06.30 Group (Unaudited)	Six months ended 2014.06.30 Company (Unaudited)	Six months ended 2013.06.30 Company (Unaudited)
V Net profit		1,961,506	1,357,305	(704,726)	(876,769)
Net profit attributable to equity holders of the Company		1,809,335	1,480,411	—	—
Profit or loss attributable to non-controlling interests		152,171	(123,106)	—	—
VI Earnings per share	(V)59				
(I) Basic earnings per share		0.09	0.08	—	—
(II) Diluted earnings per share		—	—	—	—
VII Other comprehensive income after tax	(V)60	(257,367)	194,786	609	(49)
(I) Items that will not be reclassified to profit or loss:					
Remeasurement of defined benefit obligations		(110,081)	(1,123)	626	(29)
(II) Items that may be reclassified subsequently to profit or loss:					
Fair value gain (loss) on available-for-sale financial assets		4,759	(51,059)	—	—
Exchange differences arising on translation of foreign operations		(152,045)	246,869	(17)	(20)
Share of other comprehensive (expense) income of joint ventures and associates		—	99	—	—
VIII Total comprehensive income		1,704,139	1,552,091	(704,117)	(876,818)
Total comprehensive income attributable to equity holders of the Company		1,555,099	1,685,402	—	—
Total comprehensive income attributable to non-controlling interests		149,040	(133,311)	—	—

Legal Representative
Guo Wenqing

Chief Financial Controller
Li Shiyu

Chief Accountant
Fan Wanzhu

The accompanying notes form part of the interim financial statements.

Consolidated and Company Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(All amounts in RMB'000 unless otherwise stated)

Items	Notes	Six months ended 2014.06.30 Group (Unaudited)	Six months ended 2013.06.30 Group (Unaudited)	Six months ended 2014.06.30 Company (Unaudited)	Six months ended 2013.06.30 Company (Unaudited)
I. Cash Flows from Operating Activities:					
Cash receipts from the sale of goods and the rendering of services		91,970,346	88,015,228	846,707	871,177
Receipts of tax refunds		36,849	181,291	—	27,504
Other cash receipts relating to operating activities	(V)61(a)	3,230,164	1,428,545	83,500	19,118
Sub-total of cash inflows from operating activities		95,237,359	89,625,064	930,207	917,799
Cash payments for goods purchased and services received		78,949,874	76,300,053	588,443	889,271
Cash payments to and on behalf of employees		7,401,188	7,037,355	26,663	26,380
Payments of various types of taxes		5,707,070	6,025,241	23,188	42,244
Other cash payments relating to operating activities	(V)61(b)	8,911,763	4,370,200	79,243	88,205
Sub-total of cash outflows from operating activities		100,969,895	93,732,849	717,537	1,046,100
Net Cash Flows from Operating Activities	(V)62(a); (XV)14(a)	(5,732,536)	(4,107,785)	212,670	(128,301)
II. Cash Flows from Investing Activities:					
Cash receipts from disposals and recovery of investments		10,134	1,363,581	—	—
Cash receipts from investment income		6,117	61,664	469,025	428,301
Net cash receipts from disposal of fixed assets, intangible assets and other long-term assets		147,658	279,463	8	64
Net cash receipts from disposal of subsidiaries and other business units		—	414,627	—	—
Other cash receipts relating to investing activities	(V)61(c)	61,568	790,906	—	—
Sub-total of cash inflows from investing activities		225,477	2,910,241	469,033	428,365
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		963,515	1,308,897	4,132	1,527
Cash payments to acquire investments		40,621	49,264	1,032,748	—
Net cash payments to acquire subsidiaries and other business units		—	—	—	—
Other cash payments relating to investing activities	(V)61(d)	162,040	—	393,569	1,549,440
Sub-total of cash outflows from investing activities		1,166,176	1,358,161	1,430,449	1,550,967
Net Cash Flows from Investing Activities		(940,699)	1,552,080	(961,416)	(1,122,602)

Consolidated and Company Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(All amounts in RMB'000 unless otherwise stated)

Items	Notes	Six months ended 2014.06.30 Group (Unaudited)	Six months ended 2013.06.30 Group (Unaudited)	Six months ended 2014.06.30 Company (Unaudited)	Six months ended 2013.06.30 Company (Unaudited)
III. Cash Flows from Financing Activities:					
Cash receipts from capital contributions		129,249	3,167	—	—
Including: cash receipts from capital contributions from non-controlling interests of subsidiaries		129,249	3,167	—	—
Cash receipts from borrowings		50,311,043	49,400,417	23,895,864	24,198,980
Other cash receipts relating to financing activities	(V)61(e)	—	196,872	19,700	—
Sub-total of cash inflows from financing activities		50,440,292	49,600,456	23,915,564	24,198,980
Cash repayments of borrowings		47,280,594	52,547,462	24,377,620	26,355,365
Cash payments for distribution of dividends or profits or settlement of interest expenses		3,232,584	3,871,534	1,052,719	912,569
Including: payments for distribution of dividends or profits to non-controlling interests of subsidiaries		141,753	292,766	—	—
Other cash payments relating to financing activities	(V)61(f)	1,040,709	128,926	31,873	449,055
Sub-total of cash outflows from financing activities		51,553,887	56,547,922	25,462,212	27,716,989
Net Cash Flows from Financing Activities		(1,113,595)	(6,947,466)	(1,546,648)	(3,518,009)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents					
		53,256	(77,716)	30,068	(34)
V. Net Decrease in Cash and Cash Equivalents					
Add: Opening balance of Cash and Cash equivalents	(V)62(a); (XV)14(c)	(7,733,574)	(9,580,887)	(2,265,326)	(4,768,946)
		31,242,554	32,084,175	6,494,604	9,211,104
VI. Closing Balance of Cash and Cash Equivalents					
	(V)62(b)	23,508,980	22,503,288	4,229,278	4,442,158

Legal Representative
Guo Wenqing

Chief Financial Controller
Li Shiyu

Chief Accountant
Fan Wanzhu

The accompanying notes form part of the interim financial statements.

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

Items	Notes	Six months ended 30 June 2014								
		Attributable to equity holders of the Group (Unaudited)								
		Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	Retained profits	Exchange fluctuation reserve	Non-controlling interests	Total shareholders' equity
I. Closing balance of the preceding year		19,110,000	18,613,482	—	12,550	420,659	6,585,181	(200,572)	10,523,919	55,065,219
Changes in accounting policies		—	—	—	—	—	—	—	—	—
Corrections of prior period errors		—	—	—	—	—	—	—	—	—
Others		—	—	—	—	—	—	—	—	—
II. Opening balance of the period		19,110,000	18,613,482	—	12,550	420,659	6,585,181	(200,572)	10,523,919	55,065,219
III. Changes for the six months		—	(213,361)	—	—	—	643,625	(153,061)	340,834	618,037
(I) Net profit		—	—	—	—	—	1,809,335	—	152,171	1,961,506
(II) Other comprehensive income	V(60)	—	(101,175)	—	—	—	—	(153,061)	(3,131)	(257,367)
Subtotal of (I) and (II)		—	(101,175)	—	—	—	1,809,335	(153,061)	149,040	1,704,139
(III) Shareholders' contributions and reduction in capital		—	(112,186)	—	—	—	—	—	263,301	151,115
1. Capital contribution from owners		—	—	—	—	—	—	—	159,487	159,487
2. Others		—	(112,186)	—	—	—	—	—	103,814	(8,372)
(IV) Profit distribution		—	—	—	—	—	(1,165,710)	—	(71,507)	(1,237,217)
1. Transfer to surplus reserve		—	—	—	—	—	—	—	—	—
2. Distributions to shareholders		—	—	—	—	—	(1,165,710)	—	(71,507)	(1,237,217)
3. Others		—	—	—	—	—	—	—	—	—
(V) Transfers within shareholders' equity		—	—	—	—	—	—	—	—	—
1. Capitalisation of capital reserve		—	—	—	—	—	—	—	—	—
2. Capitalisation of surplus reserve		—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve		—	—	—	—	—	—	—	—	—
4. Others		—	—	—	—	—	—	—	—	—
(VI) Special reserve		—	—	—	—	—	—	—	—	—
1. Transfer to special reserve in the period		—	—	—	908,822	—	—	—	93,400	1,002,222
2. Amount utilised in the period		—	—	—	(908,822)	—	—	—	(93,400)	(1,002,222)
IV. Closing balance of the period		19,110,000	18,400,121	—	12,550	420,659	7,228,806	(353,633)	10,864,753	55,683,256

Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

Items	Notes	Six months ended 30 June 2013								
		Attributable to equity holders of the Group (Unaudited)								
		Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	Retained profits	Exchange fluctuation reserve	Non-controlling interests	Total shareholders' equity
I. Closing balance of the preceding year		19,110,000	18,384,045	—	12,550	289,366	3,735,610	(347,463)	11,650,479	52,834,587
Changes in accounting policies		—	—	—	—	—	—	—	—	—
Corrections of prior period errors		—	—	—	—	—	—	—	—	—
Others		—	—	—	—	—	—	—	—	—
II. Opening balance of the period		19,110,000	18,384,045	—	12,550	289,366	3,735,610	(347,463)	11,650,479	52,834,587
III. Changes for the six months		—	(51,015)	—	—	—	1,480,411	255,224	(532,847)	1,151,773
(I) Net profit		—	—	—	—	—	1,480,411	—	(123,106)	1,357,305
(II) Other comprehensive income	V(60)	—	(50,233)	—	—	—	—	255,224	(10,205)	194,786
Subtotal of (I) and (II)		—	(50,233)	—	—	—	1,480,411	255,224	(133,311)	1,552,091
(III) Shareholders' contributions and reduction in capital		—	(782)	—	—	—	—	—	(301,756)	(302,538)
1. Capital contribution from owners		—	229	—	—	—	—	—	16,271	16,500
2. Others		—	(1,011)	—	—	—	—	—	(318,027)	(319,038)
(IV) Profit distribution		—	—	—	—	—	—	—	(97,780)	(97,780)
1. Transfer to surplus reserve		—	—	—	—	—	—	—	—	—
2. Distributions to shareholders		—	—	—	—	—	—	—	(97,780)	(97,780)
3. Others		—	—	—	—	—	—	—	—	—
(V) Transfers within shareholders' equity		—	—	—	—	—	—	—	—	—
1. Capitalisation of capital reserve		—	—	—	—	—	—	—	—	—
2. Capitalisation of surplus reserve		—	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve		—	—	—	—	—	—	—	—	—
4. Others		—	—	—	—	—	—	—	—	—
(VI) Special reserve		—	—	—	—	—	—	—	—	—
1. Transfer to special reserve in the period		—	—	—	841,744	—	—	—	83,651	925,395
2. Amount utilised in the period		—	—	—	(841,744)	—	—	—	(83,651)	(925,395)
IV. Closing balance of the period		19,110,000	18,333,030	—	12,550	289,366	5,216,021	(92,239)	11,117,632	53,986,360

Legal Representative
Guo Wenqing

Chief Financial Controller
Li Shiyu

Chief Accountant
Fan Wanzhu

Company Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

Items	Six months ended 30 June 2014							
	Attributable to equity holders of the Company (Unaudited)							
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	Retained profits	Exchange fluctuation reserve	Total shareholders' equity
I. Closing balance of the preceding year	19,110,000	33,478,864	—	12,550	420,659	1,181,626	2,197	54,205,896
Changes in accounting policies	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
II. Opening balance of the period	19,110,000	33,478,864	—	12,550	420,659	1,181,626	2,197	54,205,896
III. Changes for the six months	—	626	—	—	—	(1,870,436)	(17)	(1,870,453)
(I) Net profit	—	—	—	—	—	(704,726)	—	(704,726)
(II) Other comprehensive income	—	626	—	—	—	—	(17)	609
Subtotal of (I) and (II)	—	626	—	—	—	(704,726)	(17)	(704,117)
(III) Shareholders' contributions and reduction in capital	—	—	—	—	—	—	—	—
1. Capital contribution from owners	—	—	—	—	—	—	—	—
2. Others	—	—	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	—	—	(1,165,710)	—	(1,165,710)
1. Transfer to surplus reserve	—	—	—	—	—	—	—	—
2. Distributions to shareholders	—	—	—	—	—	(1,165,710)	—	(1,165,710)
3. Others	—	—	—	—	—	—	—	—
(V) Transfers within shareholders' equity	—	—	—	—	—	—	—	—
1. Capitalisation of capital reserve	—	—	—	—	—	—	—	—
2. Capitalisation of surplus reserve	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(VI) Special reserve	—	—	—	—	—	—	—	—
1. Transfer to special reserve in the period	—	—	—	—	—	—	—	—
2. Amount utilised in the period	—	—	—	—	—	—	—	—
IV. Closing balance of the period	19,110,000	33,479,490	—	12,550	420,659	(688,810)	2,180	52,336,069

Company Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

Items	Six months ended 30 June 2013							
	Attributable to equity holders of the Company (Unaudited)							
	Share capital	Capital reserve	Less: Treasury shares	Special reserve	Surplus reserve	Retained profits	Exchange fluctuation reserve	Total shareholders' equity
I. Closing balance of the preceding year	19,110,000	33,478,893	—	12,550	289,366	(13,473,670)	2,159	39,419,298
Changes in accounting policies	—	—	—	—	—	—	—	—
Corrections of prior period errors	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—
II. Opening balance of the period	19,110,000	33,478,893	—	12,550	289,366	(13,473,670)	2,159	39,419,298
III. Changes for the six months	—	(29)	—	—	—	(876,769)	(20)	(876,818)
(I) Net profit	—	—	—	—	—	(876,769)	—	(876,769)
(II) Other comprehensive income	—	(29)	—	—	—	—	(20)	(49)
Subtotal of (I) and (II)	—	(29)	—	—	—	(876,769)	(20)	(876,818)
(III) Shareholders' contributions and reduction in capital	—	—	—	—	—	—	—	—
1. Capital contribution from owners	—	—	—	—	—	—	—	—
2. Others	—	—	—	—	—	—	—	—
(IV) Profit distribution	—	—	—	—	—	—	—	—
1. Transfer to surplus reserve	—	—	—	—	—	—	—	—
2. Distributions to shareholders	—	—	—	—	—	—	—	—
3. Others	—	—	—	—	—	—	—	—
(V) Transfers within shareholders' equity	—	—	—	—	—	—	—	—
1. Capitalisation of capital reserve	—	—	—	—	—	—	—	—
2. Capitalisation of surplus reserve	—	—	—	—	—	—	—	—
3. Loss offset by surplus reserve	—	—	—	—	—	—	—	—
4. Others	—	—	—	—	—	—	—	—
(VI) Special reserve	—	—	—	—	—	—	—	—
1. Transfer to special reserve in the period	—	—	—	—	—	—	—	—
2. Amount utilised in the period	—	—	—	—	—	—	—	—
IV. Closing balance of the period	19,110,000	33,478,864	—	12,550	289,366	(14,350,439)	2,139	38,542,480

Legal Representative
Guo Wenqing

Chief Financial Controller
Li Shiyu

Chief Accountant
Fan Wanzhu

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

I. BASIC CORPORATE INFORMATION

Metallurgical Corporation of China Ltd. (the "Company") was established as a joint stock limited liability company by China Metallurgical Group Corporation ("CMGC") and Baosteel Group Corporation ("BGC") 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 August 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 16 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 and listed on the Main Board of The Stock Exchange of Hong Kong Limited ("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 BGC have transferred 350 million domestic 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.

The address of the Company's registered office is No.28 Shuguang Xili, Chaoyang District, Beijing, the PRC.

The Company and its subsidiaries (the "Group") are principally engaged in the following activities (Core Operations): engineering and construction, equipment manufacturing, resources development, and property 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 and construction"); development and production of metallurgical equipment, steel structures and other metal products ("equipment manufacturing"); development, mining and processing of mineral resources and the production of nonferrous metal and polysilicon ("resources development"); and development and sale of residential and commercial properties, affordable housing and primary land development ("property development").

During the reporting period, the Company did not have material changes on its shareholder structure and principal business activities.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises (the "CASBE") 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 "ASBE"), including CAS 2(revised), CAS 9(revised), CAS 30 (revised), CAS 33(revised), CAS 37(revised), CAS 39, CAS 40 and CAS 41 issued or revised by MoF in 2014. Among them, CAS 9(revised) has been early adopted from 1 January 2013, and the other provisions issued or revised in 2014 have been early adopted from 1 January 2014 in these financial statements.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

1. Basis of preparation (Continued)

These financial statements have been prepared on a going concern basis.

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 Hong Kong Stock Exchange in December 2010, also referring to the relevant provisions issued by the MoF and the China Securities Regulatory Commission (the "CSRC"), and approved by the general meeting of stockholders of the Company, from this fiscal year, the Company no longer provides the financial statements based on 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 based on the CASBE to all stockholders, taking the relevant disclosure standards of Hong Kong Companies Ordinance and Hong Kong Listing Rules into consideration.

The comparative financial data in these financial statements of the period from 1 January to 30 June 2013 and the year ended 31 December 2013 was prepared based on CASBE.

In addition, the Group has disclosed relevant financial information 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 2010).

2. Statement of compliance

These financial statements have been prepared in compliance with the CASBE to truly and completely reflect the consolidated and the Company's financial position as at 30 June 2014 and the consolidated and the Company's operating results and cash flows for the six months then ended.

3. Financial year

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

4. Reporting currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

5. Business combinations

(a) Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred. Direct issue costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respect equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

(b) Business combinations not involving enterprises under common control

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Other comprehensive income associated with equity interest in the acquiree already held by the acquirer before the acquisition date is reclassified to investment income at the date on which acquisition is made.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date. Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognised as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognises the remaining difference immediately in profit or loss for the current period.

Direct issue costs incurred in respect of equity instruments or liabilities issued pursuant to the business combination should be charged to the respect equity instruments or liabilities upon initial recognition of the underlying equity instruments or liabilities.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Basis for preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate, and no adjustment is made to the opening balances and comparative figures in the consolidated financial statements.

For subsidiaries acquired through business combinations involving entities under common control, the operating results and cash flows of the acquiree shall be included in the consolidated financial statements from the beginning of the period in which the combination occurs. While preparing the prior period financial statements, adjustments are made to related items in the financial statements for the prior period as if the reporting entity established through combination had existed since the ultimate controlling party begins to exercise control.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. For those subsidiaries acquired through business combinations not involving enterprises under common control, the identifiable assets and liabilities recorded in the financial statements of the acquired subsidiaries should be adjusted based on the fair value determined at the acquisition date.

All significant intra-group balances and transactions are eliminated on consolidation. The portion of subsidiaries' equity that is not attributable to the Company is treated as non-controlling interests and presented as "non-controlling interests" in the consolidated balance sheet shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to non-controlling interests is presented as "non-controlling interests" in the consolidated income statement below the "net profit" line item.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

6. Basis for preparation of consolidated financial statements *(Continued)*

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against non-controlling interests.

Acquisition of non-controlling interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognised as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Joint arrangements

Joint arrangement involves two or more parties have joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

There are only two types of joint arrangements - joint operations and joint ventures. Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint ventures are accounted for using the equity method.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

8. Cash and cash equivalents

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

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

(a) Transactions denominated in foreign currencies

On initial recognition, foreign currency transactions are translated into the reporting currency using the spot exchange rate prevailing at the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognised in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalisation are capitalised as part of the cost of the qualifying asset during the capitalisation period; (2) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortised cost) of available-for-sale monetary items are recognised as other comprehensive income and included in capital reserve. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement.

When preparing financial statements involving foreign operations, if there is any foreign currency monetary items which in substance forms part of the net investment in the foreign operations, exchange differences arising from the changes of foreign currency should be recorded as "exchange fluctuation reserve" within shareholders' equity, and will be reclassified to profit or loss upon disposal of the foreign operations.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognised in profit and loss or as other comprehensive income included in capital reserve.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

9. Translation of transactions and financial statements denominated in foreign currencies *(Continued)*

(b) Translation of financial statements denominated in foreign currency

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; all items in the income statement as well as items reflecting the distribution of profits are translated at the spot exchange rates on the dates of the transactions; the opening balance of retained earnings is the translated closing balance of the previous year's retained earnings; the closing balance of retained earnings is calculated and presented on the basis of each translated income statement and profit distribution item. The difference between the translated assets and the aggregate of liabilities and shareholders' equity items is separately presented as the exchange fluctuation reserve under the shareholders' equity in the balance sheet.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the spot exchange rate on the date of the cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The opening balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange fluctuation reserve, which is attributable to the owners' equity of the Company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal or other reason that does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange fluctuation reserve is re-attributed to non-controlling interests and are not recognised in profit and loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange fluctuation reserve is reclassified to profit or loss.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments

(a) Financial assets

(i) Classification of the financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. The classification of the financial assets is depending on the Group's intention and ability of holding these financial assets.

— Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss. The Group's financial assets at FVTPL are all financial assets held for trading.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (1) It has been acquired principally for the purpose of selling in the near term; or (2) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (3) It is a derivative that is not a financial guarantee contract.

— Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include cash and bank balances, notes receivable, accounts receivable, interest receivable, dividends receivable, other receivables, Long-term receivables.

— Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available-for-sale, and financial assets that are not classified as financial assets at FVTPL, loans and receivables, held-to-maturity investment. Available-for-sale financial assets expected to be disposed within 12 months from the balance sheet date are presented as other current assets in the balance sheet.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

(a) Financial assets *(Continued)*

(i) Classification of the financial assets *(Continued)*

— Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Those held-to-maturity investments which are matured for more than 12 months when acquired but are matured not more than 12 months are presented as non-current assets due within one year in the balance sheet. Those held-to-maturity investments which are matured not more than 12 months when acquired are presented as other current assets in the balance sheet.

(ii) Recognition and measurement of the financial assets

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement.

Available-for-sale financial assets and financial assets at FVTPL are subsequently carried at fair value. For available-for-sale financial assets that do not have quoted price in an active market and whose fair value cannot be reliably measured, they are measured at historical cost. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets at FVTPL are recognised in profit or loss.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income and included in the capital reserve, except that impairment losses and exchange differences related to the financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss. Interests obtained on holding the available-for-sale debt instruments and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains in profit or loss.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(a) Financial assets (Continued)

(ii) Recognition and measurement of the financial assets (Continued)

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

(iii) Impairment of financial assets

Except for the financial assets at FVTPL, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired. The objective evidence that financial assets are impaired is referred to the matters that happen subsequent to the initial recognition of the financial assets and have impact on the expected future cash flows of the financial assets which the Group is able to measure reliably of the impact.

Objective evidence of impairment on financial assets includes those observable matters listed as follows:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

— Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:

- (1) Adverse changes in the payment status of borrower in the group of assets;
- (2) Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;

— Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

— A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost (i.e. at the balance sheet date, the fair value of an investment in an equity instrument is not more than 50% of the initial acquisition cost of that investment or the fair value is lower than the initial acquisition cost for more than 12 months);

— Other objective evidence indicating there is an impairment of a financial asset.

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(a) Financial assets (Continued)

(iii) Impairment of financial assets (Continued)

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a collective assessment of impairment.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the capital reserve to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income and included in the capital reserve, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

10. Financial instruments (Continued)

(a) Financial assets (Continued)

(iv) Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it does not retain control of the financial asset, it should recognise the financial asset.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument. On initial recognition, financial liabilities are classified as financial liabilities at FVTPL and other financial liabilities. The Group's financial liabilities are mainly other financial liabilities which include payables, borrowings, bonds payable and etc.

Payables including accounts payables and other payables recorded based on the fair value on initial recognition, and amortized according to the effective interest rate method over the life of the payables along with the interest.

Borrowings and bonds payable are recorded based on the fair value, the difference between proceeds from issue and the face value of the bonds is recognized as premium or discount and amortized according to the effective interest rate method over the life of the borrowings and bonds along with the interest.

Other financial liabilities due less than one year (including one year) are classified as current liabilities; other non-current financial liabilities due less than one year (including one year) are classified as non-current liabilities due within one year; the rest are classified as non current liabilities.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

10. Financial instruments *(Continued)*

(b) Financial liabilities *(Continued)*

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

(c) Determination of fair value of financial instruments

For a financial instrument which has an active market, the Group uses the quoted price in the active market to establish its fair value. For a financial instrument which has no active market, the Group establishes fair value by using a valuation technique.

(d) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset. Except for the circumstances where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables

Receivables include accounts receivable and other receivables. Accounts receivable are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade and other receivables are recognised initially at fair value according to the relevant transaction agreements with the Customers.

- (a) Receivables individually significant for which provision for impairment is assessed individually

Receivables that are individually significant are subject to individual impairment assessment if there is objective evidence that a receivable is impaired.

A receivable with an amount greater than RMB100,000,000 is considered to be individually significant.

The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows.

- (b) Receivables for which provision for impairment is assessed collectively in a group

Receivables that are not individually significant and receivables that are not impaired through the individual assessment are included in a group of receivables with similar credit risk characteristics and tested collectively for impairment. Based on the prior year's experience and historical loss data, the Group has classified groups of receivables for collective assessment as follows:

Group 1	With credit risk according to nature of business
Group 2	Without credit risk according to nature of business

The provision were as follows:

Group 1	Aging analysis method
Group 2	No provision

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

11. Receivables (Continued)

- (b) Receivables for which provision for impairment is assessed collectively in a group (Continued)

The Group provides for bad debts for Group 1 at the following ratios based on the characteristics of its business:

Aging analysis method

Aging	Ratio of the provision for accounts receivable	Ratio of the provision for other receivables
Within one year	5%	5%
Between one and two years	10%	10%
Between two and three years	30%	30%
Between three and four years	50%	50%
Between four and five years	80%	80%
Over five years	100%	100%

- (c) Other individually not significant receivables but individually tested for impairment

Receivables individually not significant but individually tested for impairment because there is objective evidence to demonstrate that the Group is not able to fully recover the receivables according to the original terms and conditions of the receivables.

The amount of the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows.

12. Inventories

- (a) Categories of inventories and initial measurement

The Group's inventories mainly include raw materials, low cost and short-lived materials, work in progress, finished goods, properties under development, completed properties held for sales, construction contracts etc. Inventories are initially measured at cost.

- (b) Valuation method of inventories upon delivery

The actual cost of inventories upon delivery is calculated using the first-in-first-out or weighted average method. Cost of finished goods and work in progress comprise all costs of materials, direct labor costs and other manufacturing overheads allocated on a normal production capacity and systematic basis.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories (Continued)

- (c) Basis for determining net realisable value of inventories and provision methods for decline in value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realisable value. If the net realisable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realisable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realisable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

- (d) Inventory count system

The perpetual inventory system is maintained for stock system.

- (e) Amortisation method for low cost and short-lived consumable items and packaging materials

Packaging materials and low cost and short-lived consumable items are using either one-off amortisation method or multiple-stage amortisation method.

- (f) Properties under development and completed properties held for sale

Costs of properties under development and completed properties held for sale mainly consist of acquisition cost of land use rights, expenditures of land development, construction costs, infrastructure costs, supporting facilities costs, capitalisation of borrowing costs and other relevant costs. Costs of properties under development are captured based on actual costs incurred, i.e. costs incurred on public ancillary facilities and costs incurred on the underlying land use rights etc.

- (g) Construction contracts

Construction contracts are measured based on actual costs incurred, including all direct and indirect costs incurred from the date of signing the construction contracts to the completion of the construction contracts. The balances of construction contracts represent the net amount of construction costs incurred to date and recognized profits (less recognized losses), less progress billings and provision for foreseeable contract losses.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

12. Inventories (Continued)

(g) Construction contracts (Continued)

For an individual contract whose costs incurred to date plus recognized profits (less recognized losses) exceed progress billings, the gross amount due from customers for contract work in inventory is presented as a current asset. For an individual contract whose progress billings exceed costs incurred to date plus recognized profits (less recognized losses), the gross amount due to customers for contract work in advance from customers is presented as a current liability.

13. Long-term equity investments

Long-term equity investments include investments in subsidiaries, joint ventures and associates.

Subsidiaries are the companies that are controlled by the Company. Associates are the companies over which the Group has significant influence. Joint ventures are joint arrangements over which the Group has joint control along with other investors and has rights to the net assets of the joint arrangement.

The Company accounts for the investment in subsidiaries at historical cost in the Company's financial statements. Upon preparing the consolidated financial statements, the Company consolidates the financial statements of subsidiaries. Investments in associates and joint ventures are accounted for based on equity method.

(a) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination. For a long-term equity investment acquired through business combination not involving enterprises under common control, the investment cost of the long-term equity investment is the cost of acquisition (for a business combination not involving enterprises under common control achieved in stages that involves multiple exchange transactions, the initial investment cost is carried at the aggregate of the carrying amount of the acquirer's previously held equity interest in the acquiree and the new investment cost incurred on the acquisition date).

The long-term equity investment acquired otherwise than through a business combination is initially measured at historical cost. If the long-term equity investment is acquired by cash, the historical cost is determined based on the amount of cash paid and payable. If the long-term equity investment is acquired through the issuance of equity instruments, the historical cost is determined based on the fair value of the equity instruments issued.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

- (b) Subsequent measurement and recognition of profit or loss

If the long-term equity investment is accounted for at cost, it should be measured at historical cost. Dividend declared by the investee should be accounted for as investment income in the income statement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognises its share of the net profit or loss of the investee for the period as investment income or loss for the period. The Group recognises its share of the investee's net profit or loss based on the fair value of the investee's individual separately identifiable assets, etc at the acquisition date after making appropriate adjustments to be confirmed with the Group's accounting policies and accounting period.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Changes in owners' equity of the investee other than net profit or loss are correspondingly adjusted to the carrying amount of the long-term equity investment, and recognised as other comprehensive income which is included in the capital reserve. The Group recognises its share of the dividends of the investee, and reduces the carrying value of the investment.

Unrealised profits or losses resulting from the Group's transactions with its associates and joint ventures are recognised as investment income or loss to the extent that those attributable to the Group's equity interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

13. Long-term equity investments (Continued)

- (c) Basis for determining control, joint control and significant influence over investee

Control is achieved when the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

- (d) Methods of impairment assessment and determining the provision for impairment loss

If the recoverable amount of the investment to subsidiaries, joint ventures and associates is less than its carrying amount, a impairment loss should be recognised to reduce the carrying amount to the recoverable amount. (Note II(20))

14. Investment properties

Investment property is property held to earn rentals or for capital appreciation or both. It also includes properties that are being constructed or developed for future use as investment properties. It includes a land use right that is leased out; a land use right held for transfer upon capital appreciation; and a building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Depreciation is calculated using the straight-line method. The estimated useful lives, estimated residual values and annual depreciation rates of investment properties by category are as follows:

	Estimated useful lives (year)	Estimated residual values (%)	Annual depreciation rate (%)
Buildings	15-40	3-5	2.38-6.47
Land use rights	40-70	—	1.43-2.50

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

14. Investment properties *(Continued)*

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

The estimated useful lives, estimated residual values and annual depreciation rate of investment properties are reviewed at each year end date to assess if any change is needed.

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

Impairment assessment and measurement of the provision for impairment of investment properties are stated in Note II(20).

15. Fixed assets

(a) Recognition criteria for fixed assets

Fixed assets include buildings and structures, machinery and equipment, transportation vehicles and office equipment.

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognised only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered. During the course of transformation of the Company into a limited liability company, the initial costs of fixed assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

Subsequent expenditures incurred for the fixed asset are included in the cost of the fixed asset and if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Meanwhile the carrying amount of the replaced part is derecognised. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed assets (Continued)

- (b) Depreciation of each category of fixed assets

Fixed asset is depreciated based on the cost of fixed asset recognized less expected net residual value over its useful life using the straight-line method. The fixed asset after impairment, depreciation is calculated based on the carrying amount of the fixed asset after impairment over the estimated remaining useful life of the asset.

The estimated useful life, estimated net residual value and annual depreciation rate of each category of fixed assets are as follows:

Category	Estimated useful life (year)	Estimated residual value (%)	Annual depreciation rate (%)
Buildings and structures	15-40	3-5	2.38-6.47
Temporary Buildings and structures	3-5	3-5	19-32.33
Machinery and equipment	3-14	3-5	6.79-32.33
Transportation vehicles	5-12	3-5	7.92-19.4
Office equipment	5-12	3-5	7.92-19.4

The estimated useful lives, estimated residual values and annual depreciation rate of fixed assets are reviewed at each year end date to assess if any change is needed.

- (c) Methods of impairment assessment and determining the provision for impairment losses of fixed assets

Impairment assessment and measurement of the provision for impairment of fixed assets are stated in Note II(20).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

15. Fixed assets (Continued)

(d) Identification basis and valuation methods for fixed assets acquired under finance leases

If all the risk and reward of ownership of the assets under finance lease are in substance transferred to the Group, the historical cost of the fixed asset held under finance lease is determined at the lower of the fair value of the assets and the present value of the minimum lease payments. The difference between the initial cost of the fixed asset held under finance lease and the minimum lease payments is referred to as unrecognized finance costs (note II 27(b)).

The Group adopts a depreciation policy for a fixed asset held under a finance lease which is consistent with that for its owned fixed asset. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

(e) Disposal of fixed asset

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognised. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognised in profit or loss for the period.

16. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction, installation costs, borrowing costs capitalized and other expenditures incurred until such time as the relevant assets are completed and ready for its intended use. When the asset concerned is ready for its intended use, the cost of the asset is transferred to fixed assets and depreciated starting from the following month.

Impairment assessment and measurement of the provision for impairment of construction in progress are stated in Note II(20).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalisation of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalisation of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. Capitalisation is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalised is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalised on such borrowings by applying a capitalisation rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalisation period, exchange differences on foreign currency specific-purpose borrowing is fully capitalized whereas exchange differences on foreign currency general-purpose borrowing is charged to profit or loss.

18. Intangible assets

The Group's intangible assets include land use rights, concession assets, mining rights, software, patent and technology rights etc. Intangible assets are measured initially at cost. During the course of transformation of the Company into a limited liability company, the initial costs of intangible assets injected by the State-owned shareholder were measured based on the valuation amount approved by the State-owned assets management authority.

(a) Land use rights

Land use rights of the Group are amortized on the straight-line basis according to the useful lives of 40 to 70 years approved in the obtained land use rights certificates.

(b) Mining rights

Amortization is calculated based on the units of production method based only on proved mining reserves.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

(c) Concession assets

The Group engages in certain service concession arrangements in which the Group carries out construction work for the granting authority and receives in exchange a right to operate the assets concerned in accordance with the pre-established conditions set by the granting authority. The assets under the concession arrangements may be classified as intangible assets or receivables from the granting authority. The Group recognizes revenue and a financial asset to the extent that it has an unconditional contractual right to receive specified or determinable amount of cash or another financial asset from the granting authority, or to receive the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts. If the Group receives a right to charge users of public service, with an undeterminable amount, the assets are classified as intangible assets and the Group recognizes revenue at the same time. The Group classifies the non-current assets linked to the long term investment in these concession arrangements as "concession assets" within intangible assets on the balance sheet if the intangible asset model is adopted. Once the underlying infrastructure of the concession arrangements has been completed, the concession assets will be amortized over the term of the concession on the straight-line basis under the intangible asset model. If the financial asset model is applied, the Group recognizes financial assets resulted from the concession arrangement in its balance sheet. The financial asset is measured at amortized cost using the effective interest method. Interest income is recognized in the profit or loss accordingly.

(d) Software

Software is amortized on the straight-line basis over its estimated useful life of 3 to 5 years.

(e) Patent and proprietary technologies

Patent and proprietary technologies are amortized on the straight-line basis over their useful lives of 5 to 20 years according to the contracts.

(f) Intangible asset with a finite useful life

For an intangible asset with a finite useful life, the Group reviews the useful life and amortisation method at the end of the period, and makes adjustments when necessary.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

- (g) Research and development expenditure

Expenditure during the research phase is recognised as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognised as intangible asset. Expenditure during development phase that does not meet the following conditions is recognised in profit or loss for the period.

- (1) it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (2) the Group has the intention to complete the intangible asset and use or sell it;
- (3) the Group can demonstrate the ways in which the intangible asset will generate economic benefits;
- (4) the availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset;
- (5) the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Expenditures that do not meet all of the above conditions at the same time are recognised in profit or loss when incurred. Expenditures that have previously been recognised in the profit or loss would not be recognised as an asset in subsequent years. Those expenditures capitalised during the development stage are recognised as development costs incurred and will be transferred to intangible asset when the underlying project is ready for an intended use.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

18. Intangible assets (Continued)

- (h) Methods of impairment assessment and determining the provision for impairment losses of intangible assets

Impairment assessment and measurement of the provision for impairment of intangible assets are stated in Note II(20).

19. Long-term prepaid expenses

Long-term prepaid expenses include improvement expenses on leased fixed assets and other expenses incurred that should be amortised over the current and subsequent periods (amortisation period of more than one year). Long-term prepaid expenses are amortised on a straight-line basis over the expected periods in which benefits are derived.

20. Impairment of long-term assets

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

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

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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

21. Employee benefits

Employee benefits include salaries, bonus, subsidies, staff benefits, social securities charges, housing funds, staff union fee and staff education charges.

The employees of the Group in the PRC are covered by various government sponsored pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. These expenditures are capitalized to respective assets or charged to the profit or loss, where applicable, during the period the employees provide service to the Group.

Meanwhile, the Group provides supplementary pension benefits to certain retired employees, which is considered as defined benefit plans. The defined benefit plans obligation is calculated semiannually by independent actuaries using the projected unit credit method. The Group's defined benefit plans include the following components: (1) Service cost, include current period service cost, past-service cost and settlement gain or loss. Current period service cost means the increase of the value of defined benefit plans resulted from the current period service offered by employee. Past-service cost means the increase or decrease of the value of defined benefit plans resulted from the revision of the defined benefit plans related to the prior period service offered by employee. (2) Interest costs of defined benefit plans. (3) Changes related to the revaluation of defined benefit plans liabilities.

Unless other accounting standards require or permit to charge the employee benefits into assets cost, the Group charges (1) and (2) above into profit or loss, and recognised (3) above as other comprehensive income without charging into profit or loss in later accounting periods.

The Group have the following Defined benefit type of welfare liabilities and expenses actuarial calculated: (1) the supplementary post-retirement healthcare benefits for the original retired personnel (2) the supplementary pension for the original retired and retiring personnel and the surviving dependants of the employee who died on business (3) the consistent welfare for the early retirement and laid-off employees.

If the Group terminates the labor relationship with employee, or offers some compensation plans to encourage the employee to accept the termination of the labor relationship voluntarily, the Group should recognise the employee benefits liabilities related to the compensation of the labor relationship termination and charge to profit or loss at the time when the below two signals which happens earlier:

- (1) The Group cannot withdraw from the compensation plan of the labor relationship termination by itself.
- (2) The Group recognises the costs or expenses of the reorganization involving the compensation of termination.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

21. Employee benefits *(Continued)*

Early retirement benefits are recognized in the period in which the Group has entered into an agreement with the employee specifying the terms of redundancy, or after the individual employee has been advised of the specific terms. As for early retirement benefits, the accounting treatments of which are by reference to termination benefits. From the date on which the termination benefit requirements are fulfilled, The Group recognizes monthly paid salaries and social benefits for these early retirees during the period from the date of early retirement to the normal retirement date as employee benefits payable and charges to profit or loss of the current period.

22. Distribution of profit

The cash dividend of the Company is recognized as a liability upon approval in the annual shareholders' meeting.

23. Provisions

Provisions are recognised when the Group has a present obligation related to a contingency, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows. The increase in the provision due to passage of time is recognised as interest expense.

If all or part of the provision settlements are reimbursed by third parties, when the realisation of income is virtually certain, then the related asset should be recognised. However, the amount of related asset recognised should not be exceeding the respective provision amount.

At the balance sheet date, the amount of provision should be re-assessed to reflect the best estimation then.

Provisions are recognised in respect of the present obligations to fulfill the repair and maintenance requirements set out in the concession arrangements if it is probable that an outflow of resources will be required to settle this obligations and the amount has been reliably estimated.

Provisions are recognised in respect of the present obligations of the pending litigations if it is probable that an outflow of resources will be required to settle this obligations and the amount has been reliably estimated.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(a) Revenue from sale of goods

Revenue from sale of goods is recognised when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

(b) Revenue from construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised using the percentage of completion method at the balance sheet date.

The stage of completion of a contract is determined using the proportion that actual contract costs incurred to date bears to the estimated total contract costs / proportion that completed contract work bears to the estimated total contract work.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Revenue from fixed price construction contracts is recognized when (1) the amount of total contract revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the Group; (3) the associated costs incurred can be clearly separated and measured reliably; and (4) the stage of completion of the contract and the cost to be incurred to complete the contract can be reliably certain.

The outcome of cost plus contract can be reliably estimated provided that these two conditions can be achieved: (1) it is probable that the associated economic benefits will flow to the Group; and (2) the associated costs incurred can be clearly separated and measured reliably.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(b) Revenue from construction contracts (Continued)

Where the outcome of a construction contract cannot be estimated reliably, (1) if contract costs are expected to be recoverable, contract revenue is recognised to the extent of contract costs that are expected to be recoverable; and contract costs are recognised as expenses in the period in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognised as expenses immediately when incurred and contract revenue is not recognised. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognised using the percentage of completion method.

If the estimated total contract costs exceed total contract revenue, the expected loss is recognised immediately as an expense for the period.

The cumulative costs incurred and cumulative gross profits (or losses) recognised for contracts in progress and the progress billings are offset and the net amount is presented in the balance sheet. Where the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognised exceed the progress billings for contracts in progress, the surplus is shown as inventory. Where the progress billings for contracts in progress exceed the aggregate of cumulative costs incurred and cumulative gross profits (or losses) recognised, the surplus is shown as receipts in advance.

(c) Revenue from rendering of services

Revenue from rendering of services is recognised when (1) the amount of revenue can be measured reliably; (2) it is probable that the associated economic benefits will flow to the enterprise; (3) the stage of completion of the transaction can be determined reliably; and (4) the associated costs incurred or to be incurred can be measured reliably. Revenue from rendering of services is recognised using the percentage of completion method at the balance sheet date. The stage of completion of a transaction for rendering for services is determined based on services performed to date as a percentage of total services to be performed / the proportion that costs incurred to date bear to the estimated total costs of the transaction.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the costs incurred that will be recoverable, and the costs incurred are recognised as expenses for the period. When it is not probable that the costs incurred will be recovered, revenue is not recognised.

If the estimated total service costs exceed total service revenue, the expected loss is recognized immediately as an expense for the period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

24. Revenue (Continued)

(d) Rental income and interest income

Revenue is recognized when (1) it is probable that the associated economic benefits will flow to the Group; and (2) the amount of revenue can be measured reliably.

Rental income under operating leases of buildings is recognised on a straight-line basis over the lease term. Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

(e) Revenue from mining

Revenue from mining is recognised when coincide with the following circumstances: (1)the risks and rewards in relation to sales of mining products are transferred to the customers, (2)the Group does not retain the management rights related to ownership, and no longer perform control on the goods, (3)the amount of revenue can be accurately measured, (4) the relevant economic interests are likely to flow into the Group, (5) future or past costs can be reasonably assured.

(f) Revenue from sales of properties

Revenue from sale of properties is recognised when the risks and rewards of the properties are transferred to the customers, which occurs when the construction of relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement and collectability of the related receivables is reasonably assured.

(g) Build- Operation-Transfer ("BOT") Revenue

During the construction period of the BOT contract, revenue and expenses are recognised in accordance with construction contracts. After the completion of the BOT construction contract, revenue is recognised in accordance with service income.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

25. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration, including tax returns, financial subsidies and so on.

A government grant is recognised only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant. If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

A government grant related to an asset is recognised as deferred income, and evenly amortised to profit or loss over the useful life of the related asset. A government grant measured at a nominal amount is recognised immediately in profit or loss for the period.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognised as deferred income, and recognised in profit or loss over the periods in which the related costs are recognised. If the grant is a compensation for related expenses or losses already incurred, the grant is recognised immediately in profit or loss for the period.

The Group receives relocation compensation from the government for the benefit of public interests such as urban overall planning, reservoir construction, and transformation of squatter settlements and settling area control. The relocation compensation is paid out of financial budgets by governments and is recognized as special payables when received. Compensation granted for losses of fixed assets and intangible assets, expenses incurred, losses from suspension of projects, and assets to be constructed after the relocation, should be transferred to deferred income, and recognizes as government grants relating to assets or expenses accordingly. Excess of the relocation compensation over the amount transferred to deferred income should be recorded in capital reserve.

26. Deferred tax assets/ deferred tax liabilities

The income tax expenses include current income tax and deferred income tax. Deferred tax assets and deferred tax liabilities.

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognised as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognised using the balance sheet liability method.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

26. Deferred tax assets/ deferred tax liabilities (Continued)

Deferred tax is generally recognised for all temporary differences. Deferred tax assets for deductible temporary differences are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognised.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

Current and deferred tax expenses or income are recognised in profit or loss for the period, except when they arise from transactions or events that are directly recognised in other comprehensive income or in shareholders' equity, in which case they are recognised in other comprehensive income or in shareholders' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

27. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) Operating leases

Operating lease payments are recognised on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period.

(b) Finance leases

At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of the lease, and recognises a long-term payable at an amount equal to the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognised finance charge.

(c) Sale and lease back

If sale and lease back arrangement is accounted for as finance lease, the difference between sale consideration and the carrying value of the asset is recognised as a deferred income and is amortised on a straight-line basis over the remaining useful life of that asset and adjusted the depreciation charge of that asset.

28. Non-current assets held for sale and Discontinued operations

It will be recognized as hold for sale if the non-current assets or the segment of the group meet the following conditions simultaneously: (1) The segment of the group can be sold immediately base on the clause which is commonly used for sale under the current situation. (2) Made the resolution for disposal of the segment. (3) Has been signed the non-revocable transfer agreement with the transferee. (4) The transfer must be finished within one year.

The amount of the lower of book value and fair value less the disposal expenses will be recognized as other current assets for the non-current assets(not include the financial assets and deferred income tax assets) which meet the held for sale conditions. If the value of fair value less the disposal expenses is lower than the book value, it will be recognized as Impairment loss of assets.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

29. Segment information

The Group determine the operating segments based on the internal organizational structure, management requirements and internal reporting system.

Operating segment is part of the Group which is satisfied all of the following conditions: (1) the component is able to generate income, expenses in daily activities; (2) the Group's management could evaluate the operating results of the part regularly, to determine the allocation of resources, and to evaluate its performance; (3) the Group can obtain the financial position, operating results, cash flow and other relevant accounting information of the part. If two or more operating segments have similar economic characteristics and meet certain conditions, they could be combined into a single operating segment.

30. Production safety expenses

The Group accrues for production safety expenses pursuant to the Circular on Printing and Issuing the Management Measures on the Enterprise Production Safety Expenses Appropriation and Utilization <CaiQi [2012]No.16> and the Management Measures on the Enterprises Production Safety Expenses Appropriation and Utilization, issued by the Ministry of Finance and the State Administration of Work Safety.

Production safety expenses accrued based on the aforesaid regulations shall be recorded in the costs of related products or expenses in profit or loss for the current period, and provided as a fund in the special reserve. When the expenditures are utilized, they should be offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognized as construction in progress. When the assets are ready for their intended use, a same amount should be offset against the special reserve and recorded as accumulated depreciation at the same time. The related fixed asset is not subject to any further depreciation in the subsequent periods.

31. Changes in significant accounting policies

As Note II(1), the Group has adopted the newly issued or revised provisions by the MoF on 1 January 2014, including CAS 2 (revised), CAS 30 (revised), CAS 33 (revised), CAS 37 (revised), CAS 39, CAS 40 and CAS 41.

According to the accounting scope change of CAS 2(revised), the Group reclassified the equity investments from long-term equity investment -other equity investment at 30 June 2014 amounting to RMB1,171,962,000 (31 December 2013: RMB1,150,221,000) to available-for-sale financial assets, which the Group does not control, have joint control or have significant impact, and does not have quoted price in the active market, the fair value cannot be measured reliably. The comparative data was adjusted accordingly.

Except for the above, changes in other accounting policies don't have any significant impacts on the financial statements of the Group.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(Continued)*

32. Significant accounting judgments and estimates

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

(a) Construction contracts

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised using the percentage of completion method at the balance sheet date.

Where the outcome of a construction contract cannot be estimated reliably, (1) if contract costs are expected to be recoverable, contract revenue is recognised to the extent of contract costs that are expected to be recoverable; and contract costs are recognised as expenses in the period in which they are incurred; (2) if contract costs are not expected to be recoverable, they are recognised as expenses immediately when incurred and contract revenue is not recognised. When the uncertainties that prevented the outcome of the construction contract from being estimated reliably no longer exist, revenue and expenses associated with the construction contract are recognised using the percentage of completion method. Because of the nature of the activity undertaken in construction and engineering businesses, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods.

If the estimated total contract costs exceed total contract revenue, the expected loss is recognised immediately as an expense for the period.

The Group reviews and revises the estimates of both contract revenue and contract costs (including material costs) in the budget prepared for each contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in the consolidated income statement in the year in which the circumstances that give rise to the revision become known by management.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Significant accounting judgments and estimates

(b) Useful lives and residual values of fixed assets

The useful lives of fixed assets are estimated based on historical experience of the Group with similar assets used in a similar way. If useful lives of the fixed assets are estimated to be shorter than previously estimated, the Group will increase the depreciation rates accordingly, or dispose of those assets that are idle or technically obsolete.

In determining the useful lives and residual values of items of fixed assets, the Group periodically reviews the changes in market conditions, estimated physical wear and tear, and the maintenance of the asset. The estimation of the useful life of the asset is based on historical experience of the Group with similar assets that are used in a similar way. The depreciation amount will be adjusted if the estimated useful lives and/or the residual values of items of fixed assets are different from previous estimation. Useful lives and residual values are reviewed, at the end of each reporting period, based on changes in circumstances.

(c) Impairment loss on assets

The Group assesses at the balance sheet date whether there is any indication that an asset may be impaired, such as fixed assets, construction in progress, intangible assets and other long-term assets. The recoverable amount of the asset or assets group is the higher of the present value of future cash flow estimated to be derived from the asset and the fair value less costs to sell.

The Group estimates the recoverable amount on a series of assumptions and estimations, which include estimated useful life of the asset, a reasonable expectation of future market, projected future revenue and profit margin, and the discount rate. The Group performs test for impairment for assets with indication of impairment. The Group estimated the present value of future cash flows with a pre-tax discount rate of 12.55% to 22.31% for the period. The Group recognizes impairment provisions for fixed assets, construction in progress, intangible assets and goodwill according to estimated recoverable amount. Impairment assessment and measurement of the provision for impairment of above assets are stated in Notes V (17), V (18), V (20), and V (21). Provision for impairment of long-term equity investments based on the estimated recoverable value, details of which are set out in Note XV(6)(c).

If management revises the assumption of estimated future revenue and profit margin in future cash flow calculation of an asset group or set of asset groups, and if the revised revenue and profit margin is lower than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgement on whether additional impairment provision is necessary.

If management revises the assumption of estimated pre-tax discount rate in future cash flow calculation, and if the revised discount rate is higher than current assumption, the Group would correspondingly revise the estimated recoverable amount of long-term assets to make a further judgement on whether additional impairment provision is necessary.

If the actual revenue and profit margin is higher than management estimation or the pre-tax discount rate is lower than management estimation, the Group should not reverse the impairment losses on long-term assets in subsequent accounting periods.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (Continued)

32. Significant accounting judgments and estimates (Continued)

(d) Tax

The Company and its subsidiaries are subject to income taxes and other taxes in numerous jurisdictions in domestic provinces and certain overseas countries. The ultimate tax effect of many transactions has uncertainty during normal business activities. The Group shall make significant judgement on current period income tax and land appreciation tax provisions in different areas and districts. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the current period income tax provisions in the periods in which the differences arise.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. In cases where the estimated amount differs from original estimation, the difference would influence the recognition of deferred tax assets in the period when the estimation changes. Deferred tax assets relating to certain temporary differences and tax losses should not be recognized if management considers it is not probable to utilize the temporary differences or tax losses to deduct taxable income in future.

As at 30 June 2014, the Group has recognized deferred tax assets of RMB2,974,706,000 (as at 31 December 2013: RMB2,987,346,000), in consolidated balance sheet. In cases where the actual future profits generated are less than estimated and where the actual tax rate is lower than estimated, a material reversal of deferred tax assets may arise, which will be recognized in the income statement in the period in which such a reversal takes place. As at 30 June 2014, the Group has an unrecognized tax losses of RMB26,187,427,000 (as at 31 December 2013: RMB26,232,303,000), and an unrecognized other deductible temporary differences of RMB8,978,200,000 (as at 31 December 2013: RMB8,289,709,000), since the Group is uncertain about recoverable period of tax losses and deductible temporary differences. In cases where the actual future profits generated are greater than estimated and where the actual tax rate is higher than estimated, an adjustment of deferred tax assets may arise, which will be recognized in the income statement in the period in which such an adjustment takes place.

(e) Retirement benefits

The Group establishes liabilities in connection with benefits paid to certain retired and early retired employees. The amounts of employee benefit expenses and liabilities are determined using various assumptions and conditions assumptions on discount rates, estimated rates of return on assets, pension benefit inflation rates, medical benefit inflation rates, and other factors. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

Actual results that differ from the assumptions are recognized immediately and therefore affect recognized other comprehensive income in the period in which such differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the other comprehensive income and balance of liabilities related to the employee retirement benefit obligations.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

III. TAXATION

(1) Major categories of taxes and respective tax rates

Category of tax	Basis of tax computation	Tax rate
Enterprise income tax ("EIT")	Taxable income	25%
Value-added tax("VAT")(a)	VAT payable(VAT payable is imposed on the taxable sales amount multiplied by the tax rate (output-VAT) less deductible input-VAT of current period)	6%, 11%, 13% and 17%
Business tax("BT")(a)	Taxable turnover	3%, 5%
City maintenance and construction tax ("CCT")	Value-added tax, consumption tax and business tax	1%, 5%, 7%
Education surcharge	Value-added tax, consumption tax and business tax	3%
PRC land appreciation tax	Appreciation amount on the transfer of real estate	30% to 60%

- (a) According to the Circular of Ministry of Finance and State Administration of Taxation on Promulgation of the Pilot Scheme on Switching from Business Tax to VAT ("Caishui [2011] No.110") and the Circular of Ministry of Finance and State Administration of Taxation on Nationwide Launch of Tax Policies Governing the Pilot Scheme on Switching from Business Tax to VAT in Transportation Industry and Certain Modern Service Industries ("Caishui [2013]No.37"), organizations and individuals providing services of the transportation industry and certain modern services industries (hereinafter referred to as the "taxable services") in the territory of the People's Republic of China are taxpayers of value-added tax. Taxpayers providing taxable services shall pay value-added tax pursuant to these Measures and shall no longer be required to pay business tax. from 1 August 2013.

Some subsidiaries of the Group have already undertaken the VAT reform according to the requirements of the above circular.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval

(a) Preferential Tax Policies for the Development of the Western Regions

According to the Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Concerning Preferential Tax Policies for the Development of the Western Regions (“Caishui [2001]No.202”) and Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies (“Caishui [2011] No.58”) (hereinafter referred to as the “circular”), cleared out lump sum of concerning tax policies to further support the development of the western region. The above circular had been implemented since 1 January 2011. From 1 January 2011 to 31 December 2020, enterprise income tax may be levied at a reduced tax rate of 15% on enterprises that are established in the western region. According to the regulation, the following subsidiaries of the company were approved by the local tax bureau, and enjoy preferential tax policies for the development of the western regions, including:

The enterprise income tax of Chongqing CISDI Engineering Management Consultants Co., Ltd. CISDI Industrial Furnace Co.,Ltd. and CISDI Engineering Co.,Ltd were levied at a preferential tax rate of 15% from 2004 to 2020; The enterprise income tax of MCC-SFRE Heavy Industry Equipment Co.,Ltd was levied at a preferential tax rate of 15% from 2006 to 2020; The enterprise income tax of China Metallurgical Construction Engineering Group Co.,Ltd.was levied at a preferential tax rate of 15% from 2007 to 2020; The enterprise income tax of Chongqing CISDI Metallurgical Equipment Systems Research Center and Integrated Engineering Technology Co.,Ltd, Chongqing CISDI Heavy Industry Equipment Co.,Ltd, Chongqing CISDI Property Management Co.,Ltd, MCC Xi’an Electric Furnace Institute Co.,Ltd were levied at a preferential tax rate of 15% from 2010 to 2020; The enterprise income tax of Chongqing Zhong Ye Real Estate Development Co.,Ltd, Chongqing Zhong Ye Property Management Co., Ltd were levied at a preferential tax rate of 15% from 2011 to 2020, enterprises need to submit application for relevant incentive policy every year.

(b) Preferential Tax Policies for the Coastal Development Zones. Special Economic Zones and High-Technology Enterprises

The following subsidiaries of the company were identified as high-technology enterprises by the provincial department of science and other related institutions, These enterprises can enjoy the related tax incentives of high-technology enterprises:

(i) Ceristar Electric Co. Ltd.,CERI Phoenix Industrial Furnace Co.,Ltd, Beijing Capital SERI Seric Graphic Mdt Info Tech Ltd, CERI Long Product Co.,Ltd, Beijing Capital ZeYu Energy Environmental Protection Engineering Technology Co.,Ltd, CERI eco Technology Co.,Ltd, CERI Technology Co.,Ltd; MCC Capital Engineering &Research Incorporation Qinhuangdao Co.,Ltd, MCC Capital Engineering & Research Incorporation Limited, HuaTian Nanjing Automation Engineering Co.,Ltd, Shanghai BAOYE Engineering Technology Co.,Ltd, Zhong Ye Chang Tian International Engineering Co.,Ltd. Hu Nan Changtian Automation Co.,Ltd, China silicon Co.,Ltd,, BaoTou BeiLei Continuous Casting Engineering Technology Co.,Ltd were levied at a preferential tax rate of 15% from 2008 to 2014. Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC was levied at a preferential tax rate of 15% from 2009 to 2014. Beijing Capital Colin Environmental Protection Technology Co.,Ltd was levied at a preferential tax rate of 15% from 2008 to 2015.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval (Continued)

- (b) Preferential Tax Policies for the Coastal Development Zones. Special Economic Zones and High-Tech Enterprises (Continued)
- (ii) Beijing MCC Equipment Research & Design Corporation Ltd, Beijing Yuanda International Project Management Consulting Co.,Ltd. were levied at a preferential tax rate of 15% from 2009 to 2014. Beijing New Vision Building Construction Technology Co., Ltd, BERIS Engineering and Research Corporation, Beijing JinWei Welding Materials Co., Ltd, MAANSHAN MCC17 Engineering Science & Technology Co.,Ltd, were levied at a preferential tax rate of 15% from 2009 to 2015. BaoTou Beilei High and New Technology Development Co., Ltd was levied at a preferential tax rate of 15% from 2009 to 2016. Beijing Tieforce Drive Machine Co.,Ltd, CISDI Electrics Technology Co., Ltd, Wu Han Yi Ye Steel Structure Co.,Ltd were levied at a preferential tax rate of 15% from 2012 to 2015; CISDI Shanghai Engineering Technology Co., Ltd was levied at a preferential tax rate of 15% from 2013 to 2016.
- (iii) CERI Manufacturing Executive & Managing System Co.,Ltd, Beijing Capital HuaYu Architectural Design & Research Institute Co.,Ltd, MCC (Beijing)Transportation Science and Technology Development Co., Ltd. were levied at a preferential tax rate of 15% from 2010 to 2014; CERI Yangzhou Machinery Co., Ltd was levied at a preferential tax rate of 15% from 2010 to 2015; China MCC 19 Group (Fangchenggang) Structure of the Equipment Co. Ltd, PanzhiHuatian Yu Engineering Detection Co Ltd,China MCC 17 Group Co., Ltd.,ACRE Coking &Refractory Engineering Consulting(DaLian) Corporation, Wuhan Research Institute of Metallurgical Construction MCC, Central Research Institute of Building and Construction Co., Ltd., MCC Group were levied at a preferential tax rate of 15% from 2014 to 2016.
- (iv) Wuhan Huaxia Fine-blanking Technology Co., Ltd, Beijing Enfei Environmental Protection Co.,Ltd, Beijing Enfei Environmental Protection Technology Co.,Ltd Northern Engineering & Technology Corporation, MCC, WISDRI (Wuhan) Heavy Machinery Co., Ltd, WISDRI (Wuhan) Automation Co.,Ltd,, WISDRI (Wuhan) Wei Shi Industrial Furnace Co.,Ltd, WISDRI Engineering & Research Incorporation Limited; China City Environment Protection Engineering Limited Company, WISDRI (Wuhan) Informatology Engineering Co., Ltd, China MCC 5 Group Co., Ltd. Huatian Engineering & Technology (Nan Jing) Corporation MCC, Huatian Engineering & Technology Corporation MCC, are in the process of Ongoing high-tech certification review by relevant government departments now, the management forecasts that these enterprises can be levied at a preferential tax rate of 15% in 2014; CCTEC Engineering Co., Ltd, China ENFI Engineering Corporation were levied at a preferential tax rate of 15% from 2011 to 2014; Nan Jing Industrial Furnace Co., Ltd, HTC was levied at a preferential tax rate of 15% from 2013 to 2015 Beijing Sida Jian Mao Science and Technology Development Co., Ltd., China Jing Ye Engineering Technology Co., Ltd., Zhong Ye Welding Technology Co., Ltd., Beijing Metallurgical Nuclear Technology Development Co., Ltd. were levied at a preferential tax rate of 15% from 2014 to 2016.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval (Continued)

(b) Preferential Tax Policies for the Coastal Development Zones, Special Economic Zones and High-Tech Enterprises (Continued)

(v) MCC Communication Engineering Technology Co., Ltd was levied at a preferential tax rate of 15% from 2011 to 2014.; Tianjin Ye Jian Construction Materials Co., Ltd., Beijing Ye Jian Construction Materials Co.,Ltd, MCC 5 Group (Shanghai)Co., Ltd, Shanghai ZhiDa Electronic Co., Ltd. were levied at a preferential tax rate of 15% from 2012 to 2014.;Shanghai BaoYe Slag Comprehensive Development Co.,Ltd was levied at a preferential tax rate of 15% from 2013 to 2014; Zhong Ye Energy-saving and Environmental Protection Co.,Ltd was levied at a preferential tax rate of 15% from 2014 to 2015.

(vi) WISDRI Hansan Wupeng Furnace lining New Material Co.,Ltd, WISDRI Wuhan Steel Design & Research Incorporation Limited, Beijing Capital New Star Papermaking Engineering Technology Co.,Ltd., Northern Engineering & Technology Corporation, MCC (Dalian), Hunan Zhong Ye Chang Tian Heavy industry technology Co. Ltd..were levied at a preferential tax rate of 15% from 2013 to 2015.

(c) The other major preferential tax policies

(i) According to the relevant regulation of the preferential tax policies about the projects of environmental protection in Chapter IV, Article 88 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax("Order of the State Council [2007] No. 512") and Order of the President of the People's Republic of China (" [2007] No. 63"):

MCC Qinhuangdao Water Co., Ltd. and MCC Funing Water Co., Ltd.satisfied the related requirements of environmental protection as well as energy and water conservation from the tax year when the enterprise has obtained the first income from putting into the commercial production and operation to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted. This policy has come into effective in 2010, and are still in tax holidays in 2014.

The main business of Laian Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, Maanshan Water Corporation MCC,6 subsidiaries of Huatian Engineering & Technology Corporation MCC, belong to the environmental protection projects which were supported by the government. From the tax year when the enterprise has obtained the first income from putting into the commercial production and operation to the third year, the enterprise income tax is exempted, and in the following 3 years, the enterprise income tax is half exempted. Among them the preferential policy of Chuzhou Huatian Water Corporation MCC has come into effective in 2009; The preferential policy of Laian Huang Tian Water Corporation MCC and Shouguang North Water Corporation MCC has come into effective in 2010; The preferential policy of Huangshi Water Corporation MCC has come into effective in 2009; The preferential policy of Liuan Water Corporation MCC and MaanshanWater Corporation MCC has come into effective in 2014. All of the enterprises above are still in their tax holidays in 2014.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval (Continued)

(c) The other major preferential tax policies (Continued)

- (i) According to the relevant regulation of the preferential tax policies about the projects of environmental protection in Chapter IV, Article 88 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax ("Order of the State Council [2007] No. 512") and Order of the President of the People's Republic of China (" [2007] No. 63"): (Continued)

Lanzhou Zhongtuo Water Corporation enjoy the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax half deducted" from 2012; Xiangyang Enfei Environmental Protection Energy Co.,Ltd. enjoy the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax half deducted" from 2014, both of these 2 enterprises are still in their tax holidays in 2014.

According to the Item2 of Article 27 of the Law of the People's Republic of China on Enterprise Income Tax as well as Article 87 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax, following examination and approval by the tax authorities, Enfei New Energy (Zhongwei) Co. Ltd enjoy the favorable corporate income tax policy of "3-year tax exemption followed by 3-year tax half deducted" from 2012 and is still in its tax holiday in 2014.

- (ii) According to the Circular of Ministry of Finance, State Administration of Taxation and National Development and Reform Commission on Promulgation of the Catalogue of Corporate Income Tax Incentives for Integrated Utilisation of Resources (2008 version) ("Caishui [2008]No.117"), Circular of the Ministry of Finance and State Administration of Taxation on the Value-added Tax Policies for the Products of Integrated Utilization of Resources and Other Products("Caishui [2008]No.156") The enterprises that produce the integrated utilization of resources(The symbiotic and associated mineral resources, Waste water (liquid), exhaust gas,waste residue, Rejuvenated resources) which contain in the Catalogue of Corporate Income Tax Incentives shall be exempted from value-added tax.

Dongguan Humen Motian Building Materials Co., Ltd was exempted from value-added tax as well as the urban maintenance and construction tax, Education surcharge based on the value-added tax from 2010 to 2014.

Panzhuhua MCC 19 Group Industry and Construction Co., Ltd complies with Integrated Utilization of Resources which enjoy the preferential Value-added Tax rate of 6% from 2010 to 2014.

The preferential tax policy that the sales of commercial concrete of Shanghai Baoye Slag Comprehensive Development Co. Ltd being exempted from value-added tax has expired in March 2014, the management forecasts that the enterprise can also be exempted from value-added tax in 2014.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval (Continued)

(c) The other major preferential Tax Policies (Continued)

- (iii) According to the Circular of the Ministry of Finance and the State Administration of Taxation Concerning Value-Added Tax Policy on Sewage Treatment Charges ("Caishui [2001]No.97" and "Caishui [2008]No.156") notify that the sewage treatment charges, which are collected together with water charges by water plants (companies) entrusted by all levels of government and competent authorities, are exempt from value-added tax.

Zhejiang Chunnan Sewage Treatment Co. Ltd., Beijing Enfei Zhongshui Co. Ltd., Xiaogan Zhongshe Water Co. Ltd., Beijing Zhongshe Water Treatment Co.,Ltd., Lanzhou Zhongtuo Water Co., Ltd., Changzhou Enfei Water Co.,Ltd were exempt from value-added tax from the date of establishment to 2014.

MCC Qinhuangdao Water Co., Ltd, MCC Funing Water Co., Ltd are exempt from value-added tax in 2014.

The sewage treatment charges of Huatian Engineering & Technology Corporation, MCC, Shouguang Huatian Water Corporation MCC, Shouguang North Water Corporation MCC, Chuzhou Huatian Water Corporation MCC, Tianchang Huatian Water Corporation MCC, Huangshi Water Corporation MCC, Liuan Water Corporation MCC, Maanshan Water Corporation MCC, Xuancheng Water Corporation MCC, subsidiaries of Huatian Engineering & Technology Corporation MCC are exempt from value-added tax.

- (iv) According to Guo Shui Han [2009] No. 212, Cai Shui [2003] No. 137 of State Administration of Taxation and the relevant regulations of the local taxation bureau, as well as the Circular of Ministry of Finance and State Administration of Taxation concerning the Tax Policies for the Scientific Research Institutes after System Transformation ("Cai Shui [2003] No. 137") and Circular of Ministry of Finance and State Administration of Extending the execution period of Taxation concerning the Tax Policies for the Scientific Research Institutes after System Transformation ("Cai Shui [2005] No. 14")

According to Circular of the Ministry of Finance and the State Administration of Taxation Concerning the Tax Issues Related to the Implementation of the Decision of the Central Committee of the CPC and the State Council on the Strengthening of Technological Innovation, the Development of High Technology, and the Realization of Industrialization ("Cai Shui Zi [1999] No. 273"), the income derived from the operations of technology transfers, technology development and the related technology consultation shall be exempt from the business tax or enjoy the preferential tax rate. The income derived from the operations of technology transfers of Zhong Ye Chang Tian International Engineering Co., Ltd. shall be exempt from the business tax or enjoy the preferential tax rate in 2014 (After VAT reform, be exempt from VAT) The remaining part of the income was levied at a tax rate of 5%.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval (Continued)

(c) The other major preferential Tax Policies (Continued)

(v) According to the Circular of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Tax Policies for Encouraging the Development of Software and Integrated Circuit Industries ("Cai Shui [2000] No. 25") ACRE Automation Co., Ltd., MCC enjoyed the policy of "levy and refund" of value-added tax of selling software products since 2010, refund rate is 14%, this preferential policy still apply in 2014.

According to Circular of the Ministry of Finance and the State Administration of Taxation on Several Preferential Policies on Enterprise Income Tax ("Cai Shui [2008] No. 1"), ACRE Automation Co., Ltd., MCC enjoy the policy of "two-year exemption and three-year reduced payment" of enterprise income tax from 2010 to 2014.

According to the Ministry of Finance, the State Administration of Taxation on issues concerning Value-added Tax Policy on Software Products ("Cai Shui [2011] No. 100"), the refund-upon-collection policy shall be applied to the part VAT in excess of 3% of their actual tax burden of selling software products. CISDI Group Chongqing Information and Technology Corp. Ltd enjoy the policy of "levy and refund" of value-added tax of selling software products from 2010 to 2014, refund rate is 14%.

According to Announcement of the State Administration of Taxation on Issues Concerning the Implementation of Preferential Income Tax Policies for Software Enterprises (Announcement of the State Administration of Taxation [2013] No. 43) CISDI Group Chongqing Information and Technology Corp. Ltd enjoy the policy of "two-year exemption and three-year reduced payment" of enterprise income tax from 2011.

(vi) According to the relevant regulation of the small and low-profit enterprises on Circular State Administration of Taxation on Continuous Implementation of Preferential Enterprises Income Tax Policies for Small and Low-Profit Enterprises ("Cai Shui [2011] No. 100"), Directly affiliated branch of Panzhihua State Administration of Taxation of Sichuan province ("Pan Guo Shui Zhitong [2011] No. 1"), the Article 28 of the Law of the People's Republic of China on Enterprise Income Tax as well as Article 92 of the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax.

Steel Magezine (Hubei) Corp. Ltd was levied at a preferential tax rate of 20% from 2012 to 2013., in 2014, the enterprise is still meet the standard of Small and Low-Profit Enterprises, the management forecasts that this enterprise can be levied at a preferential tax rate of 20% in 2014; Central Research Institute of Jilin and Construction Property Management Co., Ltd MCC was levied at a preferential tax rate of 20% from 2011 to 2013, the management forecasts that this enterprise can still be levied at a preferential tax rate of 20% in 2014; Shanghai Baoye Light steel Co. Ltd., Shanghai Zhongye Baosteel Technology Occupation Skill Training Center, Zhongye Refractory Materials Testing Center are levied at a preferential tax rate of 20% in 2014.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval (Continued)

(c) The other major preferential Tax Policies (Continued)

- (vii) According to the relevant regulation of Law of the People's Republic of China on Enterprise Income Tax, the Implementing Regulations of the Law of the People's Republic of China on Enterprise Income Tax ("Order of the State Council [2007] No. 512") and Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning the Enterprise Income Tax Incentives on Enterprises Which Recruit the Disabled, the enterprise could deduct all the salary payment for the disabled employees in light of true situation and again deduct additional 100% of the aforesaid salary payment.

China MCC 19 Group Co., Ltd, China MCC 19 Group Property Management Service Co., Ltd, China MCC 20 Group Co., Ltd., Tianjin MCC 20 Group Co., Ltd., Zhongye Baosteel Technology Service Co., Ltd., Shanghai Baohong Industry and Trade Co., Ltd. could deduct all the salary payment for the disabled employees in light of true situation and again deduct additional 100% of the aforesaid salary payment in 2014.

- (viii) Wuhu MCC Real Estate Group Co., Ltd is exempted from land-use tax (The annual amounts of land-use tax per square meter is RMB12-15 before) in 2014.

- (ix) According to the related regulation of additionally calculation and deduction of research and development expenditures incurred in Circular of the State Administration of Taxation on Printing and Issuing the Administrative Measures for the Pre-tax Deduction of Enterprises' Expenditures for Research and Development ("Guo Shui Fa [2008] No. 116"), where an enterprise is engaged in the research and development on the Hi-tech subjects with Primary Support of the State Support, such enterprise may, in accordance with relevant provisions, additionally calculate and deduct the actual research and development expenditures incurred by the enterprise in a tax year when calculating the taxable income amount. The subsidiaries of the company listed below enjoy the preferential tax policy.

CISDI Group of Shanghai Construction and Technology Co., Ltd, CISDI ENGINEERING Corp. Ltd, CISDI Industrial Furnace Co., Ltd., China MCC 19 Group Co., Ltd China MCC 19 Group (Fangchenggang) Structure of the Equipment Co.,Ltd, China MCC 19 Group of Chengdu Construction Co., Ltd, China MCC 19 Group of Xichang Structure of the Equipment Co.,Ltd, China MCC 20 Group Co., Ltd., Tianjin MCC 20 Group Co., Ltd., Zhong Ye Chang Tian International Engineering Co., Ltd., Zhongye Baosteel Technology Service Co., Ltd, Shanghai Baoye Industry Technology Service Co., Ltd, Shanghai Baoye Slag Comprehensive Development Co. Ltd., WISDRI (Wuhan) Heavy Machinery Co Ltd, WISDRI (Wuhan) Automation Co Ltd, WISDRI (Wuhan) Information Engineering Co Ltd, WISDRI Engineering & Research Incorporation Limited, WISDRI (Wuhan) WIS Industrial Furnace Co., Ltd, China City Environmental Protection Engineering Limited, CCTEC ENGINEERING CO.. LTD, HuaTian NanJing Automaton Engineering Co.,Ltd, MCC Xi'an Electric Furnace Institute Co.,Ltd, MCC SFRE Heavy Industry Equipment Co., Ltd enjoy the preferential tax policy of additionally calculation and deduction of research and development expenditures in 2014; Baotou Beilei CCTEC Engineering Co.,Ltd, China First Metallurgical Group Co., Ltd, Wu Han Yi Ye Steel Structure Co., Ltd, Wuhan Huaxia Fine-blanking Technology Co., Ltd, MCC Wuhan Institute of Metallurgical Construction Co. Ltd. enjoyed the preferential tax policy of additionally calculation and deduction of research and development expenditures from 2008 to 2014; Baotou Beilei High Tech Development Co Ltd, BERIS Engineering Technology Co., Ltd. enjoyed the preferential tax policy of additionally calculation and deduction of research and development expenditures from 2008 to 2016.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

III. TAXATION (Continued)

(2) Tax incentive and approval (Continued)

(c) The other major preferential Tax Policies (Continued)

The policy of additionally calculation and deduction of research and development expenditures of Huatian Engineering & Technology Corporation, MCC, Nanjing Huatian Engineering & Technology Corporation, MCC, China MCC 5 Group Co., Ltd., MCC 5 Group Shanghai Co., Ltd was expired after 2013. Currently, management is applying for review by tax authorities and forecasts that these enterprises can also enjoy this preferential tax policy in 2014.

- (x) According to the Ministry of Finance, the State Administration of Taxation on issues concerning VAT, Business Tax and Enterprise Income Tax Policies for the Promotion of the Development of the Energy-Conservation Service Industry ("Cai Shui [2011] No. 100"): the taxable business income earned by qualified energy conservation service companies for implementing energy management contract projects shall be temporarily exempted from business tax; qualified energy conservation service companies implementing energy management contract projects that meet the relevant provisions of the Enterprise Income Tax Law shall be exempted from enterprise income tax from the first tax year in which it obtains the first sum of production and business operation income to the third year thereafter, and shall pay enterprise income tax at a rate of 25 percent from the fourth year to the sixth year.

Hunan Zhong Ye ChangTian Energy-saving and Environmental Protection Technology Co., Ltd is exempted from business from 2012 to 2018, and enjoy the policy of "two-year exemption and three-year reduced payment" of enterprise income tax from 2012 to 2018.

- (xi) According to the Circular of Ministry of Finance and State Administration of Taxation concerning the Tax Policies for the Scientific Research Institutes after System Transformation("Cai Shui [2003] No. 137"), the technology development business income of MCC Xi'an Electric Furnace Institute Co.,Ltd is exempted from Value-added tax in 2014.
- (xii) According to <Mining Development Contract Amendment Agreement RAMU Nickel Project> made between the Independent State of Papua New Guinea and MCC RAMU NiCo limited in August 10, 2006, the income tax rate applicable to MCC RAMU NiCo limited is 30% with a 10 years tax holiday, the commencement of the tax holiday means the date which is earlier in time to occur of : 1.if Notice of commencement of the tax holiday is given by MCC to the government and 2. following the taxation year in which the aggregate quantity of Intermediate Nickel Sulphide Product exported from the Project first exceed 90,000 tonnes. Currently, the enterprise is in its 10 years tax holiday.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS

1. Information of subsidiaries

(1) Subsidiaries established or acquired through investments

Full name of the subsidiary	Type	Place of establishment/ incorporation	Place of business	Business scope	Registered capital (RMB '0000)	Type of enterprise	Legal representative	Organization code
Anshan Coking and Refractory Engineering Consulting Corporation	Wholly-owned subsidiary	Anshan	China	Design, Service	9,661	Limited liability	Yu Zhendong	241444702
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	Subsidiary	Anshan	China	EPC	120,000	Limited liability	Yu Zhendong	765442193
Northern Engineering & Technology Corporation, MCC	Subsidiary	Anshan	China	EPC	50,000	Limited liability	Liu Yiming	771405540
Anshan Engineering & Research Incorporation of Metallurgical Industry	Wholly-owned subsidiary	Anshan	China	Design, Service	6,939	Limited liability	Liu Yiming	241444040
China MCC 3 Group Co., Ltd.	Wholly-owned subsidiary	Anshan	China	Project contracting	80,000	Limited liability	Zhao Guangli	100000980
Shenyang Institute of Geotechnical Investigation Corporation, MCC	Wholly-owned subsidiary	Shenyang	China	Investigation, Design	9,766	Limited liability	Wang Mingbao	241028717
Shen Kan Engineering & Technology Corporation, MCC	Wholly-owned subsidiary	Shenyang	China	Investigation, Design	5,000	Limited liability	Wang Mingbao	769561851
MCC Overseas Ltd	Wholly-owned subsidiary	Beijing	China	Project contracting	8,000	Limited liability	Zou Weimin	794050105
MCC Communication Engineering Technology Co., Ltd	Wholly-owned subsidiary	Beijing	China	Infrastructure contractor	60,000	Limited liability	Liu Yiming	783950087
MCC International Incorporation Ltd.	Wholly-owned subsidiary	Beijing	China	Project contracting	10,000	Limited liability	Zhu Yonggui	795103600
Ramu NiCo Management (MCC) Limited	Wholly-owned subsidiary	Papua New Guinea	Papua New Guinea	Nickel cobalt ore mining and smelting	PGK1,000	Limited liability	Zhao Shimin	N/A
MCC Finance Corporation Ltd.	Subsidiary	Beijing	China	Finance	153,040	Limited liability	Zou Hongying	662153639
MCC Tongsin Resources Ltd.	Wholly-owned subsidiary	British Virgin Islands	Pakistan	Resource development	419,290,000	Limited liability	Zou Jianhui	N/A
MCC-JJ Mining Development Company Limited	Subsidiary	Beijing	China	Resource development	166,200	Limited liability	Zhao Shimin	710934916
MCC Capital Engineering & Research Incorporation Limited	Subsidiary	Beijing	China	EPC	280,000	Limited liability	Shi She	757700076
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	Wholly-owned subsidiary	Beijing	China	Design, Service	10,000	Limited liability	Shi She	101627531
MCC Real Estate Group Co., Ltd	Wholly-owned subsidiary	Beijing	China	Real Estate Development	310,000	Limited liability	Liu Fuming	801489416

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

(1) Subsidiaries established or acquired through investments (Continued)

Full name of the subsidiary	Type	Place of establishment/ incorporation	Place of business	Business scope	Registered capital (RMB '0000)	Type of enterprise	Legal representative	Organization code
China 13th Metallurgical Construction Corporation	Wholly-owned subsidiary	Taiyuan	China	Project contracting	11,166	Limited liability	Zhang Peiyi	110011392
MCC TianGong Group Corporation Limited	Subsidiary	Tianjin	China	Project contracting	180,000	Limited liability	Zhang Peiyi	789363043
China MCC 22 Group Corporation Ltd.	Wholly-owned subsidiary	Tangshan	China	Project contracting	270,000	Limited liability	Zhang Huiqing	104761074
Beris Group Corporation	Wholly-owned subsidiary	Baotou	China	Design, Service	60,000	Limited liability	Zhao Zongbo	114397501
China ENFI Engineering Co., Ltd.	Wholly-owned subsidiary	Beijing	China	Design, Scientific research General contractor	230,000	Limited liability	Lu Zhifang	102047272
China Second Metallurgical Group Corporation Limited	Wholly-owned subsidiary	Baotou	China	Project contracting	68,329	Limited liability	Wen Jianguo	11439356X
"Central Research Institute of Building and Construction Co., Ltd., MCC Group	Wholly-owned subsidiary	Beijing	China	Design, Scientific research General contractor	190,000	Limited liability	Yue Qingrui	400882938
MCC Hi-Tech Engineering Co., Ltd.	Wholly-owned subsidiary	Beijing	China	Project contracting	80,000	Limited liability	Zou Honglu	100023357
China Huaye Group Co., Ltd.	Wholly-owned subsidiary	Beijing	China	Project contracting	90,000	Limited liability	Liu Yujun	105520221
"Beijing MCC Equipment Research & Design Co., Ltd."	Wholly-owned subsidiary	Beijing	China	Design, Scientific research General contractor	44,553	Limited liability	Zhang Zhanbo	400835103
CISDI Group Corp. Ltd	Wholly-owned subsidiary	Chongqing	China	Design, Service	160,000	Limited liability	Xiao Xuewen	202801842
China MCC 5 Group Co., Ltd.	Subsidiary	Chengdu	China	Project contracting	153,418	Limited liability	Cheng Bingqiang	201906490
China Metallurgical Construction Engineering Group Co., Ltd.	Wholly-owned subsidiary	Chongqing	China	Project contracting	120,000	Limited liability	Yao Jinchuan	795854690

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

(1) Subsidiaries established or acquired through investments (Continued)

Full name of the subsidiary	Type	Place of establishment/ incorporation	Place of business	Business scope	Registered capital (RMB '0000)	Type of enterprise	Legal representative	Organization code
China MCC 19 Group Co., Ltd	Wholly-owned subsidiary	Panzhuhua	China	Project contracting	190,000	Limited liability	Tian Ye	204350723
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Wholly-owned subsidiary	Guangxi	China	Infrastructure investment	152,900	Limited liability	Hou Baoxu	763099256
MCC Baosteel Technology Services Co., Ltd	Subsidiary	Shanghai	China	Repair work	120,000	Limited liability	Zhou Qing	133401086
China MCC 20 Group Co., Ltd.	Subsidiary	Shanghai	China	Project contracting	205,000	Limited liability	Zhang Mengxing	739759277
Shanghai Baoye Group Corp., Ltd	Subsidiary	Shanghai	China	Project contracting	180,000	Limited liability	Chen Ming	746502808
MCC Maanshan I&S Design and Research Institute Co., Ltd	Wholly-owned subsidiary	Ma'anshan	China	Design, Service	6,142	Limited liability	Hao Xiangshou	48540765X
Huatian Engineering & Technology Corporation, MCC	Subsidiary	Ma'anshan	China	EPC EPC	80,000	Limited liability	Hao Xiangshou	762798848
China MCC 17 Group Co., Ltd.	Subsidiary	Ma'anshan	China	Project contracting	125,000	Limited liability	Yu Shigong	150501353
China MCC International Economic and Trade Co., Ltd.	Subsidiary	Shanghai	China	Trading	12,000	Limited liability	Liu Jianping	630426356
Wuhan Iron and Steel Design & Research Incorporation Limited	Wholly-owned subsidiary	Wuhan	China	Design, Service	6,300	Limited liability	Xiang Mingwu	177725752
WISDRI Engineering & Research Incorporation Limited	Subsidiary	Wuhan	China	EPC	309,924	Limited liability	Xiang Mingwu	75817731X
China First Metallurgical Group Co., Ltd	Subsidiary	Wuhan	China	Project contracting	126,432	Limited liability	Song Zhanjiang	177727555
Zhong Ye Chang Tian International Engineering Co., Ltd.	Subsidiary	Changsha	China	EPC	60,000	Limited liability	Yi Shuguang	74318842X
Changsha Metallurgical Design & Research Institute Co., Ltd.	Wholly-owned subsidiary	Changsha	China	Design, Service	16,712	Limited liability	Yi Shuguang	183778164
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	Wholly-owned subsidiary	Wuhan	China	Investigation, Design	20,000	Limited liability	Zhu Xiaoyou	17773240X
MCC-SFRE Heavy Industry Equipment Co., Ltd	Subsidiary	Xi'an	China	Metallurgy Equipment manufacturing	128,600	Limited liability	Liu Manyuan	783582368
MCC Seawater Desalination Investment Co., Ltd.	Wholly-owned subsidiary	Beijing	China	Investment and asset management	5,000	Limited liability	Wang Bo	576850032
MCC Holding (Hong Kong) Corporation Limited	Wholly-owned subsidiary	Hong Kong	China	Others	USD1,000,000	Limited liability	Zou Hongying	NA
MCC Minera Sierra Grande S.A	Subsidiary	Argentina	Argentina	Resource development	AR\$70,380,000	Limited liability	Chen Qifang	NA
MCC Mining (Western Australia) Pty Ltd	Wholly-owned subsidiary	Australia	Australia	Resource development	AUD20,000,000	Limited liability	Fan Jintian	NA
MCC Australia Holding Pty Ltd.	Wholly-owned subsidiary	Australia	Australia	Resource development	AUD10,000,000	Limited liability	Xie Xiangbin	NA

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

(1) Subsidiaries established or acquired through investments (Continued)

Full name of the subsidiary	Actual capital contribution at the end of the period	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Non-controlling interests	Amount of the non-controlling interests used to absorb profits or losses attributable to non-controlling interests
Anshan Coking and Refractory Engineering Consulting Corporation	96,608	—	100.00	100.00	Yes	—	—
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	1,801,938	—	86.83	86.83	Yes	243,528	—
Northern Engineering & Technology Corporation, MCC	756,885	—	90.76	90.76	Yes	83,947	—
Anshan Engineering & Research Incorporation of Metallurgical Industry	69,386	—	100.00	100.00	Yes	—	—
China MCC 3 Group Co., Ltd.	900,096	—	100.00	100.00	Yes	46,140	—
Shenyang Institute of Geotechnical Investigation Corporation, MCC	102,914	—	100.00	100.00	Yes	—	—
Shen Kan Engineering & Technology Corporation, MCC	67,058	—	100.00	100.00	Yes	—	—
MCC Overseas Ltd	126,518	—	100.00	100.00	Yes	—	—
MCC Communication Engineering Technology Co., Ltd	677,711	—	100.00	100.00	Yes	—	—
MCC International Incorporation Ltd.	110,804	—	100.00	100.00	Yes	—	—
Ramu NiCo Management (MCC) Limited	3	—	100.00	100.00	Yes	—	—
MCC Finance Corporation Ltd.	1,570,358	—	99.69	99.69	Yes	6,930	—
MCC Tongsin Resources Ltd.	3,433,927	—	100.00	100.00	Yes	147,791	446,325
MCC-JJJ Mining Development Company Limited	2,849,805	—	67.02	67.02	Yes	545,537	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

(1) Subsidiaries established or acquired through investments (Continued)

Full name of the subsidiary	Actual capital contribution at the end of the period	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Non-controlling interests	Amount of the non-controlling interests used to absorb profits or losses attributable to non-controlling interests
MCC Capital Engineering & Research Incorporation Limited	6,799,653	—	87.00	87.00	Yes	852,919	—
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	370,541	—	100.00	100.00	Yes	—	—
MCC Real Estate Group Co., Ltd	3,914,517	—	100.00	100.00	Yes	815,466	—
China 13th Metallurgical Construction Corporation	372,399	—	100.00	100.00	Yes	—	—
MCC TianGong Group Corporation Limited	2,015,650	—	98.53	98.53	Yes	53,809	—
China MCC 22 Group Corporation Ltd.	3,407,199	—	100.00	100.00	Yes	70,667	64,716
Beris Group Corporation	774,227	—	100.00	100.00	Yes	43,799	—
China ENFI Engineering Co., Ltd.	4,310,884	—	100.00	100.00	Yes	571,682	—
China Second Metallurgical Group Corporation Limited	662,835	—	100.00	100.00	Yes	—	—
Central Research Institute of Building and Construction Co., Ltd., MCC Group	2,053,939	—	100.00	100.00	Yes	340,456	6,460
MCC Hi-Tech Engineering Co., Ltd.	916,644	—	100.00	100.00	Yes	68,080	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

(1) Subsidiaries established or acquired through investments (Continued)

Full name of the subsidiary	Actual capital contribution at the end of the period	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Non-controlling interests	Amount of the non-controlling interests used to absorb profits or losses attributable to non-controlling interests
China Huaye Group Co., Ltd.	1,160,113	—	100.00	100.00	Yes	45,120	—
Beijing MCC Equipment Research & Design Corporation Ltd.	473,303	—	100.00	100.00	Yes	2,244	—
CISDI Group Corp. Ltd	3,668,886	—	100.00	100.00	Yes	651,438	—
China MCC 5 Group Co., Ltd.	1,601,842	—	98.58	98.58	Yes	237,124	906
China Metallurgical Construction Engineering Group Co., Ltd.	1,185,910	—	100.00	100.00	Yes	—	—
China MCC 19 Group Co., Ltd	2,304,357	—	100.00	100.00	Yes	—	—
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	1,591,180	—	100.00	100.00	Yes	—	—
MCC Baosteel Technology Services Co., Ltd	1,371,624	—	80.54	80.54	Yes	400,425	—
China MCC 20 Group Co., Ltd.	1,680,279	—	69.00	69.00	Yes	1,613,568	1,199
Shanghai Baoye Group Corp., Ltd	3,817,754	—	98.73	98.73	Yes	318,075	—
MCC Maanshan I&S Design and Research Institute Co., Ltd	61,421	—	100.00	100.00	Yes	—	—
Huatian Engineering & Technology Corporation, MCC	1,321,000	—	84.68	84.68	Yes	118,309	—
China MCC 17 Group Co., Ltd.	1,013,593	—	66.70	66.70	Yes	641,081	—
China MCC International Economic and Trade Co., Ltd.	87,892	—	94.92	94.92	Yes	(12,538)	12,538
Wuhan Iron and Steel Design & Research Incorporation Limited	234,734	—	100.00	100.00	Yes	—	—
WSDRI Engineering & Research Incorporation Limited	5,158,678	—	82.56	82.56	Yes	1,229,007	—
China First Metallurgical Group Co., Ltd	1,845,761	—	93.07	93.07	Yes	1,445,696	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

(1) Subsidiaries established or acquired through investments (Continued)

Full name of the subsidiary	Actual capital contribution at the end of the period	Balance of other items, that in substance, constitutes net investment in the subsidiary	Proportion of ownership interest (%)	Proportion of voting power (%)	Consolidated or not consolidated	Non-controlling interests	Amount of the non-controlling interests used to absorb profits or losses attributable to non-controlling interests
Zhong Ye Chang Tian International Engineering Co., Ltd.	824,010	—	91.66	91.66	Yes	127,221	—
Changsha Metallurgical Design & Research Institute Co., Ltd.	167,120	—	100.00	100.00	Yes	—	—
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	223,777	—	100.00	100.00	Yes	—	—
MCC-SFRE Heavy Industry Equipment Co., Ltd	1,110,635	—	71.47	71.47	Yes	266,428	—
MCC Seawater Desalination Investment Co., Ltd.	50,000	—	100.00	100.00	Yes	—	—
MCC Holding (Hong Kong) Corporation Limited	6,485	—	100.00	100.00	Yes	—	—
MCC Minera Sierra Grande S.A	717,024	—	70.00	70.00	Yes	(109,196)	109,196
MCC Mining (Western Australia) Pty Ltd	126,807	—	100.00	100.00	Yes	—	—
MCC Australia Holding Pty Ltd.	48,227	—	100.00	100.00	Yes	—	—
	70,014,911	—				10,864,753	641,340

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

(2) Material Non-controlling Interests

Company name	Place of registration	Proportion of equity interest for non-controlling interests at the end of the period	Proportion of voting rights for non-controlling interests at the end of the period	Profit or loss for non-controlling interests on consolidation	Non-controlling interests on consolidation	Current assets at the end of the period	Non-current assets at the end of the period	Current liabilities at the end of the period	Non-current liabilities at the end of the period
		(%)	(%)						
China MCC 20 Group Co., Ltd.	Shanghai	31.00	31.00	73,736	1,613,568	18,896,419	9,246,775	19,645,805	4,480,106
China First Metallurgical Group Co., Ltd	Wuhan	6.93	6.93	16,798	1,445,696	15,346,805	5,674,518	15,418,822	1,972,654
WISDRI Engineering & Research Incorporation Limited	Wuhan	17.44	17.44	35,919	1,229,007	9,730,470	2,666,691	7,496,076	140,569

Company name	Equity attributable to equity holders of the Company	Revenue for the period	Net profit or loss attributable to equity holders of the Company	Profit or loss attributable to non-controlling interests	Cash Flows from operating activities	Cash Flows from investing activities	Cash Flows from financing activities
China MCC 20 Group Co., Ltd.	3,169,200	9,910,022	290,093	3,752	(2,531,093)	(11,807)	808,887
China First Metallurgical Group Co., Ltd	2,274,857	6,117,753	121,433	8,383	157,742	(15,769)	(248,084)
WISDRI Engineering & Research Incorporation Limited	4,269,494	3,688,809	147,506	10,188	307,111	(50,305)	(145,019)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Information of subsidiaries (Continued)

- (3) For the entity which the Group has half or more than half proportion of equity interests, the reason of not included in the scope of consolidation:

Name of investee	The proportion of equity interests (%)	The reason of not included in the scope of consolidation
Beijing New Century Hotel Co., Ltd.	60.00	Each shareholder has a veto right
Beijing Tiancheng GUYUN Property Management Co., Ltd.	50.00	Each shareholder has a veto right
Zhuhai KADDOO Real estate development Co., Ltd.	50.00	Each shareholder has a veto right
RCC/MCC JOINT VENTURE (PTY) LTD	50.00	Each shareholder has a veto right
Tianjin Zhongji Equipment Manufacturing Co.,Ltd	50.00	Each shareholder has a veto right
Tianjin SERI Machinery Equipment Corporation Ltd.	50.00	Business activities require 2/3 voting rights, the Company failed to reach the prescribed proportion
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	51.00	Business activities require 2/3 voting rights, the Company failed to reach the prescribed proportion
MCC Xiangxi Mining Industry Co., Ltd.	50.00	Business activities require 2/3 voting rights, the Company failed to reach the prescribed proportion
Qingdao Jinzeshuntai Real Estate Co., Ltd	50.00	Business activities require 3/5 voting rights, the Company failed to reach the prescribed proportion
Tangshan Caofeidian MCC 22 Engineering & Technology Corporation	50.00	Business activities require 1/2 voting rights, the Company failed to reach the prescribed proportion
Beijing Yenai Engineering Material Co. Ltd.	100.00	Under liquidation procedure
MCC Izmir chrome Ore Resources Industry and Commerce Co. Ltd.	66.00	Under liquidation procedure
Sichuan Xinyejieda Air-conditioning Technology Co. Ltd.	60.00	Under liquidation procedure

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. New entities that have been consolidated in the current period and entities that are excluded from consolidation in the current period

- (a) There are no new entities that have been consolidated in the current period.
- (b) Entities that are excluded from consolidation in the current period

Name	Net assets at the date of disposal	Net profit from the beginning of the current period to the date of disposal
Wuhan Aoxin Real Estate Co. Ltd. (i)	5,100	(4,900)
Nanjing Gangning Real Estate Co. Ltd. (ii)	1,871,275	34
Nanjing Longjiangwan Real Estate Co. Ltd. (ii)	1,357,212	23
Nanjing Lifang Real Estate Co. Ltd. (i)	509,066	29
Nanjing Jinming Real Estate Co. Ltd. (i)	205,873	1

- (i) The group disposed all its equity interest in Wuhan Aoxin Real Estate Co. Ltd., Nanjing Lifang Real Estate Co. Ltd. and Nanjing Jinming Real Estate Co. Ltd. during the report period and lost its controlling interest in these entities. Subsequently, they are no longer included in the consolidation scope (Note IV(4)).
- (ii) The Group partially disposed of its equity interests in Nanjing Gangning Real Estate Co. Ltd. and Nanjing Longjiangwan Real Estate Co. Ltd. during the report period and lost its controlling interest in these entities. Subsequent to the disposals, they are no longer included in the consolidation scope (Note IV(4)).

(3) The Group didn't have any significant business combinations involving enterprises under common control during the period for the six months ended June 2014.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(4) Reduction of subsidiaries in the current period due to the sale of equity interest which results in a loss of control

Subsidiary	Buyer	Date of sale	Proportion of ownership interest before sale (%)	Proportion of ownership interest after sale (%)
Wuhan Aoxin Real Estate Co. Ltd.	Wuhan Youjiaxing Municipal Engineering Co., Ltd.	20/05/2014	70.00	—
Nanjing Gangning Real Estate Co. Ltd.	Southeast Asia Shenfu corporation	10/03/2014	100.00	40.00
Nanjing Longjiangwan Real Estate Co. Ltd.	Southeast Asia Shenfu corporation	10/03/2014	100.00	40.00
Nanjing Lifang Real Estate Co. Ltd.	Yuanying Group Co. Ltd.	10/03/2014	100.00	—
Nanjing Jinming Real Estate Co. Ltd.	Beijing Long Lake Zhongbai Real Estate Co. Ltd.	30/05/2014	100.00	—

The disposal date of the transactions causing the lost of control over the subsidiaries is the date when the equity is transferred or decreases. Details of gain or loss on disposals are set out in Note IV(4)(a)(iii).

(a) Subsidiaries

(i) Disposal price and cash flow:

	Amount
Disposal price of subsidiaries and business units	3,318,840
Cash and cash equivalents received from disposal of subsidiaries and business units	2,970,339
Less: Cash and cash equivalents held by subsidiaries and business units	517
Net cash inflow on disposal of subsidiaries and business units	2,969,822

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Reduction of subsidiaries in the current period due to the sale of equity interest which results in a loss of control (Continued)

(a) Subsidiaries (Continued)

(ii) Net assets of the disposed subsidiaries are as follows:

	Date of disposal	2013.12.31
Current assets	6,225,103	322,569
Current liabilities	2,276,577	282,573
	<u>3,948,526</u>	<u>39,996</u>

(iii) Profit or loss of disposal:

	Amount
Disposal price of subsidiaries and business units	3,318,840
Add: Long-term equity investments	1,180,287
Less: Carrying amount of the disposed net assets of subsidiaries at disposal	3,948,526
Non-controlling interest of subsidiaries	<u>(1,531)</u>
Investment income from the disposal	<u>552,132</u>

(iv) Revenue, expenses and profit or loss of subsidiaries from 2014.01.01 to the date of disposal:

	From 01/01/2014 to the date of disposal
Revenue	—
Less: Cost and expenses	<u>4,813</u>
Profit	(4,813)
Less: Income tax expenses	<u>—</u>
Net profit	<u>(4,813)</u>

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IV. BUSINESS COMBINATIONS AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Exchange rates used for translating major financial statement items of foreign operations

	Items of balance sheet		Items of revenue, expenses and cash flow
	2014.06.30	2013.12.31	
MCC Minera Sierra Grande S.A (Argentine Peso)	0.7635	0.9293	Items of revenue and expenses were translated by the approximate exchange rate or the spot exchange rate on the trading day; items of cash flow were translated by the approximate exchange rate or the spot exchange rate on the trading day.
MCC Mining (Western Australia) Pty Ltd (US Dollar)	6.1528	6.0969	Items of revenue and expenses were translated by the approximate exchange rate or the spot exchange rate on the trading day; items of cash flow were translated by the approximate exchange rate or the spot exchange rate on the trading day.
MCC Australia Holding Pty Ltd. (Australian Dollar)	5.8064	5.4301	Items of revenue and expenses were translated by the approximate exchange rate or the spot exchange rate on the trading day; items of cash flow were translated by the approximate exchange rate or the spot exchange rate on the trading day.
MCC Tongsin Resources Ltd. (US Dollar)	6.1528	6.0969	Items of revenue and expenses were translated by the approximate exchange rate or the spot exchange rate on the trading day; items of cash flow were translated by the approximate exchange rate or the spot exchange rate on the trading day.
MCC Holding (Hong Kong) Corporation Limited (US Dollar)	6.1528	6.0969	Items of revenue and expenses were translated by the approximate exchange rate or the spot exchange rate on the trading day; items of cash flow were translated by the approximate exchange rate or the spot exchange rate on the trading day.
Ramu NiCo Management (MCC) Limited (US Dollar)	6.1528	6.0969	Items of revenue and expenses were translated by the approximate exchange rate or the spot exchange rate on the trading day; items of cash flow were translated by the approximate exchange rate or the spot exchange rate on the trading day.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

	2014.06.30			2013.12.31		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Cash						
RMB	—	—	21,987	—	—	20,101
USD	588	6.1528	3,620	622	6.0969	3,794
EUR	52	8.3946	434	72	8.4189	604
AUD	7	5.8064	42	11	5.4301	57
Others	—	—	4,418	—	—	6,997
			30,501			31,553
Bank deposits						
RMB	—	—	15,324,430	—	—	27,654,011
USD	906,412	6.1528	5,576,969	271,586	6.0969	1,655,834
EUR	1,172	8.3946	9,838	1,993	8.4189	16,781
AUD	30,039	5.8064	174,420	19,094	5.4301	103,683
Others	—	—	869,869	—	—	668,938
			21,955,526			30,099,247
Other cash and bank balances						
RMB	—	—	5,483,610	—	—	2,866,700
USD	1,953	6.1528	12,016	8,656	6.0969	52,778
EUR	410	8.3946	3,445	6,107	8.4189	51,418
AUD	80,000	5.8064	464,512	80,803	5.4301	438,769
Others	—	—	89,175	—	—	45,114
			6,052,758			3,454,779
			28,038,785			33,585,579

As at 30 June 2014, the Group had other cash and bank balances of RMB6,052,758,000 (as at 31 December 2013: RMB3,454,779,000), in which restricted cash and bank balances was RMB4,529,805,000 (as at 31 December 2013: RMB2,343,025,000) (in note5(26)), mainly including deposits for issuing bills of RMB2,342,283,000 (as at 31 December 2013: RMB1,381,014,000), frozen deposits of RMB1,675,727,000 (as at 31 December 2013: RMB497,362,000) and guarantee deposits of RMB192,100,000 (as at 31 December 2013: RMB211,069,000), etc.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

2. Held-for-trading financial assets

	2014.06.30	2013.12.31
Derivative financial assets	35,565	40,969
Held-for-trading equity instruments	752	591
	36,317	41,560

The fair value of derivative financial assets is based on prices of similar derivative financial instruments in active markets.

The fair value of held-for-trading equity investments is based on their closing prices at the last trading day of the Reporting Period.

3. Bills receivable

	2014.06.30	2013.12.31
Commercial acceptance bills	1,192,311	1,525,209
Bank acceptance bills	8,705,346	9,615,887
	9,897,657	11,141,096

Notes:

- (a) Bills receivable with title restriction as at 30 June 2014 and 31 December 2013 are set out in note V(26).
- (b) The five largest pledged bills receivable as at 30 June 2014 were as follows:

	Date of issue	Due date	Amount
Party 1	18/04/2014	18/10/2014	10,000
Party 2	17/04/2014	17/10/2014	10,000
Party 3	17/03/2014	17/09/2014	10,000
Party 4	22/04/2014	22/10/2014	10,000
Party 5	29/04/2014	29/10/2014	10,000
			50,000

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

3. Bills receivable (Continued)

Notes: (Continued)

- (c) The five largest bank acceptance bills endorsed to other parties but not yet due as at 30 June 2014 were as follows:

	Date of issue	Due date	Amount
Party 1	16/04/2014	16/10/2014	142,690
Party 2	29/04/2014	28/10/2014	36,499
Party 3	16/06/2014	15/12/2014	24,300
Party 4	31/03/2014	30/09/2014	20,000
Party 5	15/05/2014	11/11/2014	16,350
			<u>239,839</u>

- (d) The Group had derecognized those bills receivable of which the risk and rewards of ownership of the bills receivable had been transferred to other parties.
- (e) As at 30 June 2014, there was no bills receivable from any shareholder who is holding 5% or more voting shares of the Company (as at 31 December 2013: none).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

4. Dividends receivable

	2014.01.01	Increase	Decrease	2014.06.30	Reasons for not yet settlement	Impairment required
Dividends receivable aged within 1 year including:						
HBIS Sijiaying Iron Ore Mining Co., Ltd.	—	101,136	—	101,136	Dividend declared in April 2014 but not yet paid	No
Wuhan Zhonghe Engineering & Technology Co., Ltd.	361	—	—	361	Dividend declared but not yet paid due to shortage of cash	No
Shanghai Tongji Baoye Construction Robot Co., Ltd.	—	510	510	—		—
Baosteel Group Finance Co., Ltd.	—	1,443	1,443	—		—
The Bank of Hankou Co., Ltd.	—	91	91	—		—
Jidong Cement Luanxian Co., Ltd.	—	1,583	1,583	—		—
Jiangxi Golden Century Advanced Materials Co., Ltd.	—	42	42	—		—
	361	104,805	3,669	101,497		
Dividends receivable aged over 1 year including:						
Wuhan Wuxin International Tendering Agency Co., Ltd.	281	—	—	281	Dividend declared but not yet paid due to shortage of cash	No
	281	—	—	281		
	642	104,805	3,669	101,778		

5. Interest receivable

	2014.01.01	Increase	Decrease	2014.06.30
Interest on term deposits	11,679	18,083	3,361	26,401

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Accounts receivable

	2014.6.30	2013.12.31
Accounts receivable	62,612,825	58,699,487
Less: Provision for bad debts	6,552,159	6,101,857
	56,060,666	52,597,630

(a) Aging analysis of accounts receivable were as follows:

	2014.06.30	2013.12.31
Within 1 year	39,712,568	37,182,310
1 to 2 years	12,178,438	12,658,595
2 to 3 years	5,445,709	4,768,738
3 to 4 years	2,492,271	1,862,701
4 to 5 years	1,379,375	973,040
Over 5 years	1,404,464	1,254,103
	62,612,825	58,699,487

(b) Accounts receivable analysed by category were as follows:

Category	2014.06.30				2013.12.31			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to provision individually	1,364,304	2.18	422,948	31.00	402,174	0.68	147,944	36.79
Subject to provision by groups								
Group 1	42,725,624	68.24	5,726,736	13.40	40,520,065	69.03	5,539,270	13.67
Group 2	17,962,261	28.68	—	—	17,233,875	29.36	—	—
Accounts receivable which are individually insignificant but subject to provision individually	560,636	0.90	402,475	71.79	543,373	0.93	414,643	76.31
	62,612,825	100.00	6,552,159		58,699,487	100.00	6,101,857	

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Accounts receivable (Continued)

- (c) As at 30 June 2014, analysis of accounts receivable which are individually significant and subject to provision for bad debts individually was as follows:

	Book Value	Provision for bad debts	Aging	Impairment provision ratio (%)	Reasons
Party 1	495,776	2,479	Within 1 year	0.50	Provision for bad debts based on information available
Party 2	374,120	187,060	1 to 2 years	50.00	Provision for bad debts based on information available
Party 3	276,505	110,602	Within 3 years	40.00	Provision for bad debts based on information available
Party 4	113,949	91,621	Over 5 years	80.41	Provision for bad debts based on information available
Party 5	103,954	31,186	Within 1 year	30.00	Provision for bad debts based on information available
	<u>1,364,304</u>	<u>422,948</u>			

- (d) In group 1, aging analysis of accounts receivable which are subject to provision for bad debts was as follows:

	2014.06.30				2013.12.31			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	27,829,680	65.14	1,391,484	5.00	25,555,007	63.06	1,277,751	5.00
1 to 2 years	8,250,875	19.31	825,087	10.00	8,616,874	21.27	861,687	10.00
2 to 3 years	3,443,018	8.06	1,032,906	30.00	3,070,933	7.58	921,280	30.00
3 to 4 years	1,113,081	2.61	556,540	50.00	1,265,231	3.12	632,615	50.00
4 to 5 years	841,255	1.97	673,004	80.00	830,414	2.05	664,331	80.00
Over 5 years	1,247,715	2.91	1,247,715	100.00	1,181,606	2.92	1,181,606	100.00
	<u>42,725,624</u>	<u>100.00</u>	<u>5,726,736</u>		<u>40,520,065</u>	<u>100.00</u>	<u>5,539,270</u>	

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

6. Accounts receivable (Continued)

- (e) As at 30 June 2014, full provision for bad debts or a large proportion of bad debt was made on those accounts receivable in previous periods but recovered or reversed in full or in a large proportion during the current period were as follows:

	Reason for write-back or recovery	Basis for provision for bad debts previously	Accumulated provision for bad debts before write-back or recovery	Amount written-back or recovered
Party 1	Collection on liquidation of the debtor	Subject to individual provision for bad debts	61,504	58,000

- (f) As at 30 June 2014, there was no accounts receivable from any shareholder who is holding 5% or more voting shares of the Company (as at 31 December 2013: none).

- (g) As at 30 June 2014, the top 5 largest accounts receivable were as follows:

	Relationship with the Group	Amount	Aging	As a percentage of total accounts receivable (%)
Party 1	Third party	1,771,960	Within 2 years	2.83
Party 2	Third party	1,638,843	Within 2 years	2.62
Party 3	Third party	1,455,569	Within 5 years	2.32
Party 4	Third party	1,216,666	Within 5 years	1.94
Party 5	Third party	857,061	Within 4 years	1.37
		6,940,099		11.08

- (h) Accounts receivable from related parties

Details of the balances of receivables from and payables to related parties are set out in the footnote of related party relationship and related party transactions in note VII (6).

- (i) As a result of transferring substantially all the risks and rewards of ownership of the accounts receivable to the transferee, the Group derecognised trade receivables amounted to RMB300,000,000 as at 30 June 2014 (as at 31 December 2013: RMB550,000,000), with no related loss recognised (as at 31 December 2013: nil).

- (j) Accounts receivable with title restriction as at 30 June 2014 and 31 December 2013 are set out in note V(26).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables

	2014.06.30	2013.12.31
Guarantee deposits	14,694,246	10,092,902
Loan receivables from related parties and third parties	2,044,896	1,882,856
Advance to employees	773,074	493,778
Receivables on disposal of investments	2,538,900	427,390
Others	2,090,181	2,499,610
	22,141,297	15,396,536
Less: impairment loss	1,675,743	1,551,724
	20,465,554	13,844,812

(a) Aging analysis of other receivables were as follows:

	2014.06.30	2013.12.31
Within 1 year	15,442,156	8,740,050
1 to 2 years	2,773,806	2,531,078
2 to 3 years	1,399,381	1,402,163
3 to 4 years	892,350	768,820
4 to 5 years	534,542	932,379
Over 5 years	1,099,062	1,022,046
	22,141,297	15,396,536

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

(b) Other receivables analysed by category were as follows

	2014.06.30				2013.12.31			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Impairment ratio (%)	Amount	Ratio (%)	Amount	Impairment ratio (%)
Individually significant and subject to provision individually	229,332	1.04	114,666	50.00	170,297	1.11	30,577	17.96
Subject to provision by groups								
Group 1	4,941,445	22.32	1,341,507	27.15	4,850,454	31.50	1,312,056	27.05
Group 2	16,724,659	75.54	—	—	10,141,725	65.87	—	—
Other receivables which are individually insignificant but subject to provision individually	245,861	1.10	219,570	89.31	234,060	1.52	209,091	89.33
	22,141,297	100.00	1,675,743		15,396,536	100.00	1,551,724	

(c) As at 30 June 2014, analysis of other receivables which are individually significant and subject to provision for bad debts individually was as follows:

	Book Value	Provision for bad debts	Aging	Impairment ratio (%)	Reasons
Party 1	229,332	114,666	Within 1 year	50.00	Provision for bad debts based on information available

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

- (d) Aging analysis of other receivables which are subject to provision for bad debts based on collective analysis was as follows:

	2014.06.30				2013.12.31			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Impairment ratio (%)	Amount	Ratio (%)	Amount	Impairment ratio (%)
Within 1 year	2,204,797	44.62	110,240	5.00	2,121,851	43.75	106,092	5.00
1 to 2 years	942,236	19.07	94,224	10.00	1,091,333	22.50	109,133	10.00
2 to 3 years	664,499	13.45	199,350	30.00	540,522	11.14	162,157	30.00
3 to 4 years	333,028	6.74	166,514	50.00	276,576	5.70	138,288	50.00
4 to 5 years	128,530	2.60	102,824	80.00	118,930	2.45	95,144	80.00
Over 5 years	668,355	13.52	668,355	100.00	701,242	14.46	701,242	100.00
	4,941,445	100.00	1,341,507		4,850,454	100.00	1,312,056	

- (e) As at 30 June 2014, provision for bad debts for those other receivables which are not significant individually but are subject to individual assessment for provision for bad debts was as follows:

	Book value	Provision for bad debts	Aging	Impairment ratio (%)	Reason
Party 1	53,548	53,548	Within 4 years	100.00	Provision for bad debts based on information available
Party 2	21,265	21,265	Within 1 year	100.00	Provision for bad debts based on information available
Party 3	20,413	13,785	1 to 2 years	67.53	Provision for bad debts based on information available
Party 4	18,018	18,018	Over 5 years	100.00	Provision for bad debts based on information available
Party 5	14,000	14,000	1 to 2 years	100.00	Provision for bad debts based on information available
Others	118,617	98,954			
	245,861	219,570			

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

7. Other receivables (Continued)

- (f) As at 30 June 2014, there was no other receivables with full provision for bad debts or a large proportion of bad debts made in previous periods but recovered or reversed in full or in a large proportion during the current period.
- (g) As at 30 June 2014, there was no other receivables from any shareholder who is holding 5% or more voting shares of the Company (as at 31 December 2013: none).
- (h) As at 30 June 2014, the top 5 largest other receivables were as follows:

	Relationship with the Group	Amount	Aging	As a percentage of total other receivables (%)
Party 1	Third party	2,538,900	Within 1 year	11.47
Party 2	Third party	2,400,000	Within 1 year	10.84
Party 3	Related party	818,003	Over 5 years	3.69
Party 4	Related party	670,594	Within 1 year	3.03
Party 5	Third party	560,800	Within 1 year	2.53
		<u>6,988,297</u>		<u>31.56</u>

- (i) Other receivables from related parties

Details of the balances of receivables from and payables to related parties are set out in the footnote of related party relationship and related party transactions in note VII(6).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

8. Prepayments

(a) Aging analysis of prepayments was as follows:

	2014.06.30		2013.12.31	
	Amount	As a percentage of total prepayments (%)	Amount	As a percentage of total prepayments (%)
Within 1 year	10,508,701	66.18	10,336,383	68.74
1 to 2 years	3,067,790	19.32	2,398,220	15.95
2 to 3 years	1,150,848	7.25	1,248,618	8.30
Over 3 years	1,151,951	7.25	1,053,789	7.01
	15,879,290	100.00	15,037,010	100.00

As at 30 June 2014, prepayments aged over one year were RMB5,370,589,000 (as at 31 December 2013: RMB4,700,627,000), mainly including prepaid land lease payments and prepaid construction costs. The land lease payments have not been settled because the underlying land has not yet been delivered to the Group. The prepaid construction costs have not been cleared due to the uncompletion of the underlying projects.

(b) As at 30 June 2014 and as at 31 December 2013, there was no prepayments to any shareholder who is holding 5% or more voting shares of the Company.

(c) As at 30 June 2014, the five largest prepayments were as follows:

Party	Relationship with the Group	Amount	As a percentage of total prepayments		Reason for unsettlement
			Amount (%)	Aging	
Party 1	Third party	640,400	4.03	within 3 years	Prepayments for land demolition
Party 2	Third party	411,000	2.59	within 3 years	Prepayments for land acquisition
Party 3	Third party	254,004	1.60	Within 1 year	Prepayments for purchase
Party 4	Third party	198,000	1.25	Within 1 year	Prepayments for purchase
Party 5	Third party	167,418	1.05	Within 2 years	Prepayments for construction costs
		1,670,822	10.52		

(d) Prepayments to related parties

Details of the balances of receivables from and payables to related parties are set out in the footnote of related party relationship and related party transactions in note VII(6).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Inventories

(a) Categories

	2014.06.30			2013.12.31		
	Book value	Provision for impairment	Carrying amount	Book value	Provision for impairment	Carrying amount
Raw materials	3,438,155	98,075	3,340,080	2,858,300	94,421	2,763,879
Materials procurement Outsourced	324,779	—	324,779	398,345	—	398,345
processing materials	185,795	—	185,795	162,877	—	162,877
Work in progress	2,617,586	12,046	2,605,540	2,210,096	20,691	2,189,405
Finished goods	2,782,981	194,852	2,588,129	2,635,911	197,024	2,438,887
Other materials	580,371	2,097	578,274	578,706	2,097	576,609
Amounts due from customers for contract work	41,798,896	691,989	41,106,907	34,492,686	497,368	33,995,318
Properties under development (i)	51,141,463	—	51,141,463	55,963,099	—	55,963,099
Completed properties held for sale (ii)	8,426,020	11,262	8,414,758	9,453,394	11,262	9,442,132
	111,296,046	1,010,321	110,285,725	108,753,414	822,863	107,930,551

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Inventories (Continued)

(a) Categories (Continued)

(i) Details of the properties under development are as follows:

Project name	Project commencement date	Estimated completion date	Estimated total investment amount	2014.06.30	2013.12.31
Nanjing Xiaguanbin River Project (南京下關濱江項目)	01/01/2011	31/12/2017	69,000,000	16,488,118	22,213,543
Beijing Daxing Jiugonglvge A1 Project (北京市大興區舊宮綠隔A1地塊項目)	13/09/2013	31/12/2015	3,916,475	2,786,156	2,579,706
Tangshan Fengrun Genyang New City Project (唐山豐潤凌陽新城項目)	01/03/2010	31/12/2020	10,550,000	1,832,681	1,801,691
Singapore Yishun No.7 Execute Public Apartment Project (新加坡義順7道執行共管公寓項目)	01/01/2012	31/10/2015	2,105,743	1,774,890	1,581,222
Chongqing Tieshanping Project (重慶市鐵山坪項目)	10/02/2011	31/12/2020	3,500,000	1,745,893	1,726,776
Singapore Danbinni No.10 Project (新加坡淡濱尼十道項目)	16/10/2013	16/10/2018	2,970,000	1,667,513	1,516,492
Baotou MCC Campus South Road Community Project (包頭中冶校園南路小區項目)	01/08/2011	30/06/2015	2,571,000	1,337,819	1,210,529
Chengdu Rubik's Cube Project (成都大魔方項目)	27/09/2010	31/12/2016	6,600,000	1,212,185	1,113,930
Guangdong, Zhuhai, Hengqin New City Headquarters building (廣東省珠海市橫琴新區總部大廈)	06/11/2012	31/12/2019	6,400,000	1,145,725	1,054,948
Heilongjiang, Qiqihaer, MCC, Binjiang International City(i) Project (黑龍江省齊齊哈爾市中冶濱江國際城一期)	16/10/2010	15/10/2016	2,821,600	1,126,826	1,241,135
Yantai, Mcc, International Business City (I) Project (煙臺中冶國際商務城一期)	08/08/2011	30/05/2017	2,800,000	1,024,241	938,508
Dalian, International Business City Project (大連國際商務城)	30/10/2011	02/10/2018	2,800,000	959,427	1,033,192
Beijing, Blue City Project (北京中冶藍城)	25/12/2012	31/07/2015	1,645,662	817,237	742,328
Maanshan, Zhongdingyue City Project (馬鞍山鐘鼎悅城)	08/09/2011	08/09/2016	1,500,000	774,159	600,878
Tangshan, Yuhua South Road Project (唐山鳳凰新城裕華道南側項目)	25/11/2010	01/04/2016	3,948,000	743,785	652,038

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Inventories (Continued)

(a) Categories (Continued)

(i) Details of the properties under development are as follows: (Continued)

Project name	Project commencement date	Estimated completion date	Estimated total investment amount	2014.06.30	2013.12.31
Hebei, Qinhuangdao, Yudaiwan Project (河北省秦皇島市玉帶灣項目)	23/12/2008	31/12/2017	4,100,000	728,708	678,225
Liaoning, Dalian, Ivshun, Mcc, Qiancheng Project (遼寧省大連市旅順中冶乾城項目)	25/08/2012	31/12/2017	4,921,911	706,969	701,222
Jilin, Changchun, Blue City Project (吉林長春中冶藍城項目)	01/04/2011	31/12/2014	1,060,000	619,177	670,051
Anshan, MCC, Yuluanwan Project (鞍山市中冶玉帶灣)	01/04/2010	30/12/2015	2,400,000	580,136	550,521
Xi'an, MCC, Changan City Project (西安中冶長安大都項目)	15/03/2011	31/05/2016	1,160,806	524,977	507,962
Chongqing, Daduhe, MCC International City Project (重慶市大渡口區中冶城邦國際)	01/12/2011	01/12/2014	1,380,000	515,379	421,197
Caofeidian Complex Building Project (曹妃甸綜合樓)	10/02/2008	31/12/2014	520,000	510,566	510,549
Shenyang, Xinma Project (瀋陽市新馬總項目)	28/12/2013	31/12/2015	1,667,680	500,355	500,304
MCC, Yucuiyuan Project (中冶玉翠園)	30/04/2013	31/12/2016	1,200,000	493,174	14,951
Ma'anshan, Jinan, Placement Project (馬鞍山金安小區安置房工程)	28/12/2009	28/10/2014	570,000	466,178	370,872
Hubei, MCC, Huashi Park Project (湖北省黃石市-中冶黃石公園)	08/07/2008	14/01/2016	1,874,730	463,539	488,268
Zhejiang, Shaoxing, Wutong Project (浙江省紹興市中冶梧桐園)	05/05/2011	30/05/2015	1,440,000	461,980	359,233
Ma'anshan, Jinfu Garden, Placement Project (馬鞍山金福花園保障性住房工程項目)	01/06/2010	30/06/2015	976,000	459,695	368,293
Yantai, Mcc, Lanjun No.1 Project (煙台中冶藍郡一期)	01/03/2013	31/12/2018	1,600,000	444,010	284,010
Qinhuangdao, Jiajun Community Project (秦皇島佳駿小區項目)	31/12/2013	30/06/2016	800,000	420,024	408,429
HK Quanwan Project (香港荃灣項目)	06/12/2013	31/01/2017	500,000	408,067	394,490
Chongqing, Bishan, MCC, Daishan No.1(2,3) Project (重慶市璧山區中冶黨山壹品二、三期)	08/03/2011	20/03/2015	774,310	406,944	355,816

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Inventories (Continued)

(a) Categories (Continued)

(i) Details of the properties under development are as follows: (Continued)

Project name	Project commencement date	Estimated completion date	Estimated total investment amount	2014.06.30	2013.12.31
Jiangsu, Kunshan, MCC, Kunting Project (江蘇省昆山市中冶昆庭)	10/07/2010	31/12/2014	829,100	344,389	402,403
Shanghai, Baoshan, MCC, Jinyuan Project (上海市寶山區中冶錦園)	08/07/2013	02/07/2015	700,000	332,890	299,623
Ma'anshan, Huashan, Gaoshan, Placement Project (馬鞍山市花山區高山農民安置房工程)	01/03/2011	30/12/2015	1,500,000	331,010	107,785
Zhenjiang, MCC, Blue City Project (鎮江中冶藍灣(鎮江中冶藍城項目))	03/06/2011	01/12/2015	1,939,540	311,895	303,168
Wuhan, MCC South, Yunhu North No.1 Project (武漢中冶南方韻湖首府1期 (北區住宅))	16/09/2011	31/12/2014	1,763,395	308,870	353,811
Shenzhen, Futian, Qiaoxiang Road, Placement Project (深圳市福田區僑香路 保障性住房工程)	01/01/2010	31/12/2014	1,300,000	284,332	284,745
Shanxi, Taiyuan, North Road, Liuxi Garden Project (山西太原北大街柳溪花園)	01/03/2008	31/12/2017	1,302,263	280,143	254,783
Shanghai, Jinqi, Fengjunyuan Project(2) (上海市金山區-中冶楓郡苑二期)	31/05/2011	31/12/2016	880,580	262,831	749,668
Guangxi, Fangchenggang, Xingganghuafu Project (廣西防城港市-中冶興港華府)	22/11/2011	31/12/2014	406,670	260,882	184,310
Tanghailinyin Community Project (唐海林蔭大道小區項目)	01/03/2010	01/10/2017	600,000	250,396	248,844
MCC, Jinhaidu Project (中冶金海都)	11/11/2010	30/06/2015	284,115	216,090	181,101
Yingxin Road Project (迎新街)	31/12/2011	31/12/2017	390,000	214,531	88,021
Xinyang, MCC, Shangyuan Project (信陽中冶尚園項目)	08/03/2011	22/10/2015	300,000	205,468	169,056
Others			77,168,346	3,391,203	4,744,472
			239,437,926	51,141,463	55,963,099

As at 30 June 2014, the total borrowing costs capitalized in properties under development were RMB5,094,084,000 (as at 31 December 2013: RMB4,600,819,000). Borrowing costs capitalized during the six months period ended 30 June 2014 amounted to RMB933,140,000 (for the period ended 30 June 2013: RMB1,306,176,000). The capitalization rate of borrowing costs was 7.02% (for the period ended 30 June 2013: 7.12%).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Inventories (Continued)

(a) Categories (Continued)

(ii) Details of the properties for sale are as follows:

Project name	Project completion date	2014.01.01	Increase	Decrease	2014.06.30
Tangshan, Wutong Road Project (唐山梧桐大道開發項目)	31/10/2012	785,734	33,777	171,582	647,929
Wuhan, MCC South, International Community Project(1) (武漢中冶南方國際社區一期)	31/12/2013	447,049	90,788	—	537,837
Shanghai, Jinshan, Fengjunyuan(1) Project (上海市金山區-中冶楓郡苑一期)	30/01/2014	—	550,399	38,961	511,438
Sichuan, Bixian, Tianyuan World Project (四川郫縣田園世界)	18/05/2013	572,441	37,972	119,524	490,889
Jilin, Qingshanbishui Community Project (吉林市青山碧水小區)	18/10/2013	420,116	—	10,559	409,557
Xi'an, MCC, Changan Citi(1) Project (西安中冶長安大都一期)	25/12/2013	746,801	—	357,924	388,877
Zhenjiang, Blue City Project (鎮江中冶藍灣(鎮江中冶藍城項目))	30/10/2013	417,384	—	40,184	377,200
Nanjing, Lianhua Village Project (南京蓮花村中低價商品房)	18/11/2013	743,729	—	393,758	349,971
Chongqing, MCC, Beiluyuan Project (重慶市中冶北麓原)	30/09/2012	395,881	25,562	92,659	328,784
Beijing, Jinyuchi(2) Project北京金魚池二期	04/01/2009	377,357	—	66,262	311,095
Wuhan, Economic and technological development zone, Fengshuwan Project (武漢經濟技術開發區-中冶楓樹灣)	30/06/2013	299,846	49,586	38,883	310,549
Zhejiang, Shaoxing, MCC, Wutongyuan(1) Project (浙江省紹興中冶梧桐園一期)	31/10/2013	353,371	—	43,022	310,349
Chongqing, MCC, Chongqing Morning Project (重慶市中冶重慶早晨項目)	28/12/2012	265,276	849	11,335	254,790
Tangshan, Helian, Placement Project (唐山市河聯工房(開平東出口)片區危改遷住宅項目)	30/06/2012	220,099	—	—	220,099
Heilongjiang, Qiqihaer, Longsha, New Century Palaza Project (黑龍江省齊齊哈爾市龍沙區新世紀廣場項目)	18/12/2011	203,724	—	4,337	199,387
Zhongdingyue City Project (鐘鼎悅城)	21/11/2013	127,845	55,667	1,121	182,391
Chongqing, Dadukou, MCC, Chengbang International Project (重慶市大渡口區中冶城邦國際)	08/12/2013	250,844	—	72,970	177,874
Hunan, Xiangtan, Yuhu, University Community Project (湖南省湘潭市雨湖區—大學裡小區)	25/11/2013	184,708	—	34,445	150,263
Genyang New CITY C7C8 Project (瀋陽新城三區C7C8地塊)	24/03/2014	—	237,379	95,143	142,236
其他		2,641,189	2,945,982	3,462,666	2,124,505
		9,453,394	4,027,961	5,055,335	8,426,020

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Inventories (Continued)

(b) Provision for impairment

	2013.12.31	Increase	Decrease		2014.06.30
			Reversals	Write-offs	
Raw materials	94,421	5,189	—	1,535	98,075
Work in progress	20,691	3,484	—	12,129	12,046
Finished goods	197,024	71,830	—	74,002	194,852
Other materials	2,097	—	—	—	2,097
Amount due from contract customers	497,368	210,430	—	15,809	691,989
Properties under development	—	4,900	—	4,900	—
Completed properties held for sale	11,262	—	—	—	11,262
	822,863	295,833	—	108,375	1,010,321

Inventories with title restriction as at 30 June 2014 and 31 December 2013 are set out in note V(26).

(c) Construction contracts

	2014.06.30	2013.12.31
Contract costs incurred to date and recognized profits less recognized losses	765,830,121	723,733,880
Less: progress billings	736,395,042	701,326,509
	29,435,079	22,407,371
At end of the period:		
Gross amount due from contract customers	41,106,907	33,995,318
Gross amount due to contract customers (note V(30))	(11,671,828)	(11,587,947)
	29,435,079	22,407,371

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

9. Inventories (Continued)

(c) Construction contracts (Continued)

In 2012, MCC Mining (Western Australia) Pty Ltd (“Western Australia”), a wholly owned subsidiary of the Group, postponed the SINO Iron Project, due to the reason like extreme weather condition in Australia and other unpredictable reasons. The Group negotiated with China CITIC Group Limited (“CITIC Group”, the parent company of CITIC Pacific Group) for the project delay and the contract price after cost overruns. CITIC Group signed the Third Supplementary EPC Agreement of SINO Iron Project in Western Australia on 30 December 2011 agreeing that the construction costs to complete the second main process line including trial run should be controlled to US\$4.357 billion. The ultimate construction costs for the aforesaid project should be determined by an audit performed by an independent third party. Based on the consensus with CITIC Group above and the estimated total construction costs of the project, the Group had recognized contract loss of US\$481 million (equivalent to approximately RMB3.035 billion) for the year ended 31 December 2012.

Up to 31 December 2013, the first and the second production lines of the project were completed and put into operation. Western Australia, MCC and Sino Iron Pty Ltd. (a wholly owned subsidiary of CITIC Pacific Group) signed the Fourth Supplementary Agreement of SINO Iron Project in Western Australia dated 24 December 2013 for the hand 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, MCC and Northern Engineering & Technology Corporation, 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 MCC 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, MCC and CITIC Group will make final settlement of the project.

Up to 30 June 2014, the consensus between MCC and CITIC Group for the construction costs previously agreed of US\$4.357 billion remained unchanged. Based on the re-assessment of the project costs, the Group is of the view that the previous estimation of project construction costs made at the end of 2012 should not have any significant change. Hence, as at 30 June 2014, the Group did not make any adjustment on the provision for loss of the project recognized previously.

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

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

10. Other current assets

	2014.06.30	2013.12.31
Advance payment of taxes	1,686,051	1,360,221
Fixed assets held for sale	29,787	29,787
Intangible assets held for sale	4,194	4,194
	1,720,032	1,394,202

11. Available-for-sale financial assets

	2014.06.30	2013.12.31 (Restated)
Available-for-sale listed equity instruments	288,460	282,798
Available-for-sale unlisted equity instruments	1,171,962	1,150,221
Others	39,100	28,479
	1,499,522	1,461,498
Less: Provision for impairment loss	61,903	60,794
	1,437,619	1,400,704

The carrying amount of the available-for-sale listed equity instruments has been adjusted based on their fair value at the balance sheet date. The fair value is determined by their closing quoted price provided by the stock exchanges at the last trading day of the reporting period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

12. Held-to-maturity investments

	2014.06.30	2013.12.31
Held-to-maturity investments		
— Treasury bonds	144	144
Held-to-maturity investments		
— Other bonds	3,971	3,971
	4,115	4,115
Less: Provision for impairment loss	4,095	4,095
	20	20
Less: Held-to-maturity investments due within one year	—	—
	20	20

13. Long-term receivables

	2014.06.30		2013.12.31	
	Amount	Provision for bad debts	Amount	Provision for bad debts
“Build-Transfer” project receivables	26,633,787	51,260	23,279,788	51,276
Retention money receivables	231,701	20	244,266	—
Receivables on disposal of equity investments	251,427	—	243,576	—
Others	2,070,963	—	995,443	—
	29,187,878	51,280	24,763,073	51,276
Less: Long term receivables due within one year	3,901,326	—	4,369,433	—
	25,286,552	51,280	20,393,640	51,276

As at 30 June 2014, the Group did not have any de-recognition of long-term receivables due to the transfer of the substantially all of the risk and rewards of ownership of the receivables to other parties (as at 31 December 2013: RMB5,500,000,000).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Long-term equity investments

	2014.06.30	2013.12.31 (Restated)
Jointly-controlled entities (a)	598,164	607,126
Associates (b)	4,599,450	3,529,704
Less: Impairment (c)	5,197,614 42,145	4,136,830 3,408
	5,155,469	4,133,422

There is no significant risk on realization of long-term equity investments by the Group.

(a) Jointly-controlled entities

Company name	Accounting method	Initial investment cost	Movements during the period					2014.06.30	Percentage of shareholding in the investee (%)	Percentage of voting rights in the investee (%)	Reason for the difference between percentages of shareholding and voting rights	Impairment provision	Provision for impairment for the current period
			2014.01.01	(Decreasing) /increasing investments	Share of (losses)/ profits	Declaration of cash dividends	Other equity movements						
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	equity method	449,772	390,894	—	(7,073)	—	—	383,821	50.00	50.00	N/A	—	—
Beijing New Century Hotel Co., Ltd.	equity method	260,000	216,232	—	(1,869)	—	—	214,343	60.00	60.00	N/A	—	—
Beijing Tianchengyuyun Property Management Co., Ltd.	equity method	500	—	—	—	—	—	—	50.00	50.00	N/A	—	—
He Xian Yi Enfei Construction Engineering Company	equity method	449,772	—	—	—	—	—	—	35.00	35.00	N/A	—	—
Zhuhai KADOO Real Estate Development Co., Ltd.	equity method	1,050	—	—	—	—	—	—	50.00	50.00	N/A	—	—
			1,161,094	607,126	—	(8,962)	—	598,164					

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Long-term equity investments (Continued)

(b) Associates

Company name	Accounting method	Initial investment cost	Movements during the period				2014.06.30	Percentage of shareholding in the investee (%)	Percentage of voting rights in the investee (%)	Reason for the difference between percentages of shareholding and voting rights	Provision for impairment for the current period
			2014.01.01	(Decreasing)/increasing investments	Share of (losses)/profits	Declaration of cash dividends					
Shigang Jingcheng Equipment Technology Co., Ltd.	equity method	986,772	928,423	—	(85,640)	—	842,783	48.96	48.96	NA	—
Tianjin SERI Machinery Equipment Corporation Ltd.	equity method	357,655	696,946	—	7,007	—	703,953	50.00	50.00	NA	—
Nanjing Gangning Real Estate Co., Ltd.	equity method	684,316	—	684,315	—	—	684,315	40.00	40.00	NA	—
Nanjing Longjiangwan Real Estate Co., Ltd.	equity method	495,972	—	495,972	—	—	495,972	40.00	40.00	NA	—
Nanjing Daming Culture Industry Co., Ltd.	equity method	300,000	300,003	—	—	—	300,003	49.18	49.18	NA	—
Baotou MCC Real Estate Group Co., Ltd.	equity method	239,895	222,831	—	294	—	223,125	36.00	36.00	NA	—
Tianjin MCC Tuanbo Country Development Co., Ltd.	equity method	185,281	185,281	—	3,008	—	188,289	30.00	30.00	NA	—
Tianjin MCC Xinhua Real Estate Group Co., Ltd.	equity method	153,000	146,209	—	(4,482)	—	141,727	49.00	49.00	NA	—
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	equity method	127,500	139,578	—	(14,774)	—	124,804	51.00	51.00	NA	—
WISDR(Xinyu) Cold Processing Engineering Co., Ltd.	equity method	178,856	114,654	—	5,918	—	120,572	40.00	40.00	NA	—
Others	equity method	750,491	795,779	—	(20,682)	(1,190)	773,907				42,145
		4,459,738	3,529,704	1,180,287	(109,351)	(1,190)	4,599,450				42,145

(c) Provision for impairment

	2014.01.01	Increase	Decrease	2014.06.30
Shanghai Union Auto Mobile Avenue Development Co., Ltd.	—	38,737	—	38,737
Shanghai Baoye Commercial Concrete Corporation	1,812	—	—	1,812
MCC 17 Construction Company Chemical Plant	1,596	—	—	1,596
	3,408	38,737	—	42,145

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

14. Long-term equity investment (Continued)

- (d) Ramu NiCo Management (MCC) Limited ("Ramu NiCo"), a 61% owned subsidiary of the Company. In 2005, Ramu NiCo signed a contract with three companies in Papua New Guinea (the "PNG Parties") to develop and operate Project Ramu NiCo (the "Project"). The Project is a non-company joint venture, whose principal business is to mine and process the nico ore in Papua New Guinea. Before 2005, the PNG Parties did some preliminary work such as exploration and feasibility study etc. According to the Master Agreement of Project Ramu NiCo which was entered into in 2005, Ramu NiCo was involved into this project and responsible for develop and construct the Project. For the next 15 years from March 2008, the PNG Parties have the right to acquire 15% interest in the Project. The acquisition price will be based on 15% of the cost which is estimated by the project feasibility study plus 20% for unpredictable expenses, related interest expense and inflation adjustment. The PNG Parties will settle the acquisition price with the Group by the portion of future revenue of the Project that the PNG Parties are entitled. Before exercising their rights to acquire the 15% interest in the Project by the PNG Parties mentioned above, Ramu NiCo enjoys 100% of the return of the ore products produced by the Project and the ownership of the development and construction of the assets of the Project. Upon exercising the rights to acquire the 15% interest in the Project by the PNG Parties, the equity interest enjoyed by Ramu NiCo will be reduced to 85%. After fully paid-up of the acquisition price by the PNG parties for the 15% interest, the PNG Parties will obtain additional 5% equity interest of the Project. After that, the PNG Parties have the right to acquire a further 15% of the equity interest in the Project from Ramu NiCo, the purchase consideration of which is determined by the fair market value then.

On 31 December 2012, the Project proceeded from the construction phase into the production phase. As of the date of issuance of these financial statements, the PNG Parties have not exercise their rights to acquire the 15% interest. As at 30 June 2014, as Ramu NiCo owned all the development and construction assets as well as the ore products produced by the Project and assumed all the liabilities of the Project, the development and construction assets, liabilities, revenue, cost and expenses of the Project were fully consolidation into the financial statements of the Group. As at 30 June 2014, total assets and total liabilities of the Project recognized by the Group were RMB12.33 billion and RMB13.84 billion, respectively. For the six months period ended 30 June 2014, revenue and costs of the Project recognized by the Group in these consolidated financial statements were RMB758 million and RMB941 million, respectively (including depreciation expense of RMB297 million).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

15. Investment in joint ventures and associates

	Type of enterprise	Place of registration	Legal representative	Organization code	Nature of business	Registered capital
Tianjin Zhongji Equipment Manufacturing Co., Ltd.	Limited liability company	Tianjin	Xu Keliang	56613960X	Equipment manufacture and installation	899,544
Beijing New Century Hotel Co., Ltd.	Limited liability company	Beijing	Li Zhonggen	600014393	Hotel service	71,650
Shigang Jingcheng Equipment Technology Co., Ltd.	Limited liability company	Yingkou	Feng Jinchi	121133758	Equipment design and manufacture	3,166,297
Tianjin SERI Machinery Equipment Corporation Ltd.	State-owned company	Tianjin	Shi She	722964936	Manufacture	210,000
Nanjing Gangning Real Estate Co., Ltd.	Limited liability company	Nanjing	Wang Mingfeng	08417260X	Real estate development	1,710,790
Nanjing Longjiangwan Real Estate Co., Ltd.	Limited liability company	Nanjing	Wang Mingfeng	084172511	Real estate development	1,239,930
Nanjing Daming Culture Industry Co., Ltd.	Limited liability company	Nanjing	Tian Jun	797116210	Cultural communication	610,000
Baotou MCC Real Estate Group Co., Ltd.	Limited liability company	Baotou	Ding Junhua	676928888	Real estate development	100,000
Tianjin MCC Xinhua Real Estate Group Co., Ltd.	Limited liability company	Tianjin	Mei Changchun	663087119	Real estate development	312,245
Tianjin MCC Tuanbo Country Development Co., Ltd.	State-owned shares	Tianjin	Zou Honglu	566125451	Real estate development	600,000
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	State-owned company	Xiangtan	Shi She	668563348	Manufacture	250,000
WISDR (Xinyu) Cold Processing Engineering Co., Ltd.	State-owned company	Xinyu	Li Wenhua	67499155X	Equipment manufacture	446,250

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

15. Investment in joint ventures and associates- continued

	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Total assets	Total liabilities	Net Assets	Revenue	Net profit
Tianjin Zhongji Equipment Manufacturing Co.,Ltd	50.00	50.00	2,453,710	1,829,208	624,502	380,582	(14,146)
Beijing New Century Hotel Co., Ltd.	60.00	60.00	241,585	138,658	102,927	101,690	6,435
Shigang Jingcheng Equipment Technology Co., Ltd.	48.96	48.96	4,646,905	2,883,963	1,762,942	721,863	(179,105)
Tianjin SERI Machinery Equipment Corporation Ltd.	50.00	50.00	5,658,813	4,250,908	1,407,905	494,409	14,014
Nanjing Gangning Real Estate Co. Ltd.	40.00	40.00	1,710,826	2	1,710,824	—	34
Nanjing Longjiangwan Real Estate Co. Ltd.	40.00	40.00	1,239,955	2	1,239,953	—	23
Nanjing Daming Culture Industry Co., Ltd.	49.18	49.18	2,345,138	1,735,131	610,007	—	—
Baotou MCC Real Estate Group Co., Ltd	36.00	36.00	4,047,676	3,735,302	312,374	76,899	1,861
Tianjin MCC Xinhua Real Estate Group Co., Ltd	49.00	49.00	1,550,527	1,233,930	316,597	120,137	(9,147)
Tianjin MCC Tuanbo country development Co., Ltd.	30.00	30.00	3,563,828	2,914,977	648,851	—	—
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	51.00	51.00	1,057,554	812,840	244,714	31,716	(28,968)
WISDR(Xinyu) Cold Processing Engineering Co., Ltd.	40.00	40.00	1,063,482	501,578	561,904	996,132	7,034

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

16. Investment properties

	2014.01.01	Increase	Decrease	2014.06.30
Total original book value	2,174,697	344,934	—	2,519,631
Buildings and structures	1,643,202	180,028	—	1,823,230
Land use rights	531,495	164,906	—	696,401
Total accumulated depreciation and amortization	357,060	93,594	—	450,654
Buildings and structures	324,848	70,854	—	395,702
Land use rights	32,212	22,740	—	54,952
Total net book value of	1,817,637	251,340	—	2,068,977
Buildings and structures	1,318,354	109,174	—	1,427,528
Land use rights	499,283	142,166	—	641,449
Total accumulated impairment provision	—	—	—	—
Buildings and structures	—	—	—	—
Land use rights	—	—	—	—
Total carrying amount	1,817,637	251,340	—	2,068,977
Buildings and structures	1,318,354	109,174	—	1,427,528
Land use rights	499,283	142,166	—	641,449

The total amount of depreciation and amortization of investment properties was RMB31,113,000 for the current period (six months ended at 30 June 2013: RMB 22,637,000).

During the current period, buildings and structures of the Group's fixed assets amounting to RMB14,555,000 (historical cost: RMB59,242,000, accumulated depreciation: RMB44,687,000) and land use rights of the Group's amounting to RMB147,254,000 (historical cost: RMB164,906,000, accumulated amortization: RMB17,652,000) were transferred to investment properties from fixed assets and intangible assets at the date on which the purpose of these assets were changed.

As at 30 June 2014 and 31 December 2013, the Group did not have any properties and land use rights of which the title certificates were not obtained by the Group.

Investment properties with title restriction as at 30 June 2014 and 31 December 2013 are set out in note V(26).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets

	2014.01.01	Increase		Decrease	2014.06.30
Total historical cost	46,071,353	—	1,321,444	408,979	46,983,818
Buildings and structures	19,587,432	—	606,729	224,344	19,969,817
Machinery and equipment	21,178,671	—	574,263	91,223	21,661,711
Motor vehicles	2,414,815	—	44,300	68,602	2,390,513
Other equipment	2,890,435	—	96,152	24,810	2,961,777
		Provision	Additions		
Total accumulated depreciation	12,068,771	1,421,866	19,562	227,121	13,283,078
Buildings and structures	3,385,697	417,225	3,454	93,256	3,713,120
Machinery and equipment	6,639,538	765,939	12,317	71,333	7,346,461
Motor vehicles	1,313,449	130,158	2,061	47,334	1,398,334
Other equipment	730,087	108,544	1,730	15,198	825,163
Total net book value	34,002,582	—	—	—	33,700,740
Buildings and structures	16,201,735	—	—	—	16,256,697
Machinery and equipment	14,539,133	—	—	—	14,315,250
Motor vehicles	1,101,366	—	—	—	992,179
Other equipment	2,160,348	—	—	—	2,136,614
		Provision	Additions		
Total impairment provision	619,695	140,052	282,268	(120)	1,042,135
Buildings and structures	169,960	107,447	270,064	126	547,345
Machinery and equipment	436,153	31,971	11,780	(215)	480,119
Motor vehicles	8,975	189	—	(10)	9,174
Other equipment	4,607	445	424	(21)	5,497
Total carrying amount of fixed assets	33,382,887	—	—	—	32,658,605
Buildings and structures	16,031,775	—	—	—	15,709,352
Machinery and equipment	14,102,980	—	—	—	13,835,131
Motor vehicles	1,092,391	—	—	—	983,005
Other equipment	2,155,741	—	—	—	2,131,117

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets (Continued)

Fixed assets with title restriction as at 30 June 2014 and 31 December 2013 are set out in note V(26).

The total depreciation of the Group's fixed assets amounted to RMB1,421,867,000 (six months ended 30 June 2013: RMB1,500,982,000) for the current period, of which RMB969,323,000, RMB5,476,000 and RMB316,398,000 were charged to cost of sales, selling expenses and administrative expenses, respectively (six months ended 30 June 2013: RMB733,315,000, RMB5,602,000 and RMB499,500,000). The amount of depreciation of the Group's fixed assets which was not charged to profit or loss but capitalized as part of inventories amounted to RMB130,670,000 (six months ended 30 June 2013: RMB262,565,000).

The amount transferred from construction in progress to fixed assets during the current period was RMB953,394,000 (six months ended 30 June 2013: RMB900,535,000).

- (a) The Group made impairment provision for fixed assets of RMB140,052,000 for the current period (six months ended 30 June 2013: RMB13,524,000).

As at 30 June 2014, the accumulated impairment provision for fixed assets amounted to RMB1,042,135,000 (as at 31 December 2013: RMB619,695,000).

- (i) As the market price of poly-silicon remained low, certain items of fixed assets of China Silicon Corporation Ltd. ("China Silicon"), a subsidiary of the Company, have impairment indicators. During the year ended 31 December 2012, one of the production lines of China Silicon ceased its operations. The Group engaged Luoyang Mingjian Assets Appraisal Co., Ltd., an independent valuer, to appraise the fair value of the assets of the aforesaid ceased production line, taking into consideration the market price and recoverable value of the metals relating to the ceased production line. The recoverable amount is estimated using fair value less costs to sell. Based on this impairment assessment, the Group concluded that the fair value of these assets was lower than their carrying amounts, and made an impairment provision for fixed assets amounting to RMB435,718,000 for the year ended 31 December 2012. For other production lines of China Silicon, the Group performed an impairment assessment on the related assets based on their estimated recoverable amount. The recoverable amount is estimated using the present value of future cash flows. The future cash flows are forecasted with reference to the expected revenue growth, gross margin, estimated years of production and a pre-tax discount rate of 15%. The forecasted revenue and gross margin are determined by past business performance and management's expectation for market development. Based on the result of this impairment assessment, no impairment provision should be made on fixed assets of other production lines of China Silicon.

As at 30 June 2014, based on the impairment re-assessment performed by the Group, no additional impairment provision was considered necessary for the fixed assets of China Silicon.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets (Continued)

(a) The Group made impairment provision for fixed assets of RMB140,052,000 for the current period (six months ended 30 June 2013: RMB13,524,000). (Continued)

(ii) In 2013, nickel and cobalt saw a continued drop in price. Fixed assets of Ramu Nico Project Papua New Guinea, a subsidiary of the Company, had impairment indicator. According to the impairment assessment performed based on estimated recoverable value, no impairment provision was considered necessary.

As at 30 June 2014, the carrying amount of fixed assets of Ramu Nico Project Papua New Guinea amounted to RMB11.185 billion. The Group performed an impairment assessment on the related assets based on their estimated recoverable value. The recoverable value is estimated by calculating the present value of the future cash flows generated by the assets based on the financial forecast approved by the management and a pre-tax discount rate of 14.29%. The future cash flows are forecasted with reference to the forecast prices of nickel and cobalt, estimated production capacity, annual planned production volume, expected revenue growth and gross margin and estimated years of operations. Based on the result of this impairment assessment, the Group is of the view that the recoverable value of the fixed assets exceeded its carrying amount, no impairment provision was considered necessary. If the nickel and cobalt prices significantly drop in future periods, the related fixed assets might be subject to impairment risk. The Group will update the impairment assessment on a timely basis and may recognise impairment provision on the related fixed assets in the future, if needed.

(iii) The total impairment provision for fixed assets at the end of the current period contained impairment provision for Duddar Lead-Zinc Project amounting to RMB499,251,000, details of which are set out in note V.(18)(b)(i).

(b) Temporary idle fixed assets

As at 30 June 2014, buildings and structures, machinery and equipment, motor vehicles and other equipment in an aggregate carrying amount of RMB24,684,000 (historical cost: RMB120,480,000) were idled because of suspended operations (as at 31 December 2013: carrying amount of RMB113,503,000; historical cost of RMB233,512,000), details of which are as follows:

	Historical cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
Buildings and structures	85,845	65,582	—	20,263
Machinery and equipment	2,865	2,339	—	526
Motor vehicles	31,714	26,784	1,036	3,894
Other equipment	56	55	—	1
	120,480	94,760	1,036	24,684

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

17. Fixed assets (Continued)

(c) Fixed assets under finance leases:

As at 30 June 2014, carrying amount of fixed assets amounting to RMB93,929,000 (historical cost: RMB100,000,000) was under finance leases (as at 31 December 2013: carrying amount of RMB98,998,000; historical cost of RMB100,000,000) (note XI), details of which are as follows:

	Historical cost	Accumulated depreciation	Provision for impairment loss	Carrying amount
2014.06.30				
Machinery and equipment	100,000	6,071	—	93,929
2013.12.31				
Machinery and equipment	100,000	1,002	—	98,998

(d) As at 30 June 2014, the fixed assets held for sale are set out in note V(10).

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

Buildings and structures with an aggregate carrying amount of RMB793,290,000 (historical cost: RMB845,511,000) as at 30 June 2014 (as at 31 December 2013: carrying amount of RMB984,323,000; historical cost of RMB1,031,222,000) were in the process of applying for relevant title certificates.

	Reasons for title certificates outstanding	Expected timing of obtaining certificates of title
Comprehensive office building of ACRE Coking & Refractory Engineering Consulting Corporation, MCC	Application in progress	31/12/2014
Tianjin office building of China Huayue Group Co., Ltd.	Application in progress	31/12/2014
Beijing office building of China Huayue Group Co., Ltd.	Application in progress	31/12/2014

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Construction in progress

	2014.06.30			2013.12.31		
	Historical cost	Provision for impairment loss	Carrying amount	Historical cost	Provision for impairment loss	Carrying amount
Construction in progress	2,710,348	105,295	2,605,053	3,197,048	341,778	2,855,270

(a) As at 30 June 2014, movements of the top ten largest items of construction in progress

Items	Budgeted amount	2014.01.01	Additions	Transfer to fixed assets	Other increases	2014.06.30	Cost incurred as a percentage of budgeted amount (%)	Construction progress	Accumulated capitalised borrowing costs	Including: capitalized borrowing costs for the current period	Ratio of capitalized borrowing costs for the current period (%)	Sources of fund
Infrastructure project of MCC JCL Anak Mining Company Limited (中冶江銅艾爾克礦業有限公司基建工程)	23,847,800	798,121	23,534	—	7,931	829,586	19	19	—	—	—	self-raised funds
Multi-purpose buildings of CISDI Group Company Limited (中冶賽迪集團有限公司綜合樓)	240,260	192,925	36,790	—	—	229,715	96	96	—	—	—	self-raised funds
The by-product recycling high technology industrialization project (副產物循環利用高技術產業化項目)	1,200,000	112,487	26,327	—	—	138,814	68	68	—	—	—	self-raised funds
Duddar Lead-Zinc Project (杜達鉛鋅礦項目)	430,872	536,992	57	(416,582)	5,679	126,146	126	99	16,444	—	—	Loan from financial institutions
The construction of New District Office (新區辦公區建設)	400,000	113,121	1,432	—	—	114,553	90	90	—	—	—	self-raised funds
Office building renovation (辦公樓改造)	680,000	5,409	102,543	—	—	107,952	16	16	—	—	—	self-raised funds
Large-scale multiple stamp work heavy equipment independent industrial base (大型多項模鍛件及重型裝備自主化產業基地)	527,449	85,325	5,447	—	—	90,772	70	70	—	—	—	self-raised funds
CISDI heavy machinery (賽迪重工設備)	223,932	144,418	46,154	(114,395)	—	76,177	85	85	—	—	—	self-raised funds
Junliang city base construction project (軍糧城基地建設項目)	100,000	40,464	25,186	—	—	65,650	66	66	—	—	—	self-raised funds
Xinjiangwuxin copper assortoxygen generation station 15000Nm ³ /h (新疆五鑫銅業配套 15000Nm ³ /h制氧站)	78,640	65,155	341	—	—	65,496	83	83	—	—	—	self-raised funds
	27,728,953	2,094,417	267,811	(530,977)	13,610	1,844,861			16,444	—		

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

18. Construction in progress (Continued)

(b) Provision for impairment losses for construction in progress

	2014.01.01	Additions	Transfer to fixed assets during the current period	Exchange realignment	2014.06.30	Reasons for the decrease
Duddar Lead-Zinc (i)	341,778	42,211	(282,268)	3,574	105,295	transfer to fixed assets

(i) As at 31 December 2012, the Group has updated the operation plans of Duddar Lead-Zinc Project and identified an impairment indicator of the related construction-in-progress based on the revised financial forecast. Accordingly, the Group performed an impairment assessment on the related assets based on their estimated recoverable value. Recoverable value is estimated based on the present value of the future cash flows based on the financial forecast approved by the management and a pre-tax discount rate of 12.55%. The future cash flows are forecasted based on the estimated production capacity, annual planned production volume, expected revenue growth and gross margin and estimated years of operations. The forecasted revenue and gross margin are determined by past business performance and management's expectation for market development. Based on the result of this impairment assessment, the Group made an impairment provision for construction-in-progress of Duddar Lead-Zinc Project amounting to RMB352,351,000 and on fixed assets of Duddar Lead-Zinc project amounting to RMB97,309,000 for the year ended 31 December 2012.

During the six months ended 30 June 2014, an amount of the Duddar Lead-Zinc Project of RMB134,314,000 (historical cost: RMB416,582,000; impairment provision: RMB282,268,000) was transferred from construction in progress to fixed assets.

At the end of the current period, the Group has updated the assessment of impairment provision for construction-in-progress and fixed assets. Based on the result of the re-assessment, the Group made an impairment provision for fixed assets amounting to RMB122,473,000 and for construction-in-progress amounting to RMB42,211,000.

As at 30 June 2014, the accumulated impairment provision of fixed assets and construction-in-progress of Duddar Lead-Zinc Project amounted to RMB499,251,000 and RMB105,295,000.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

19. Materials for construction of fixed assets

	2014.01.01	Increase	Decrease	2014.06.30
Materials	10,485	641	668	10,458
Equipment	37,122	1,216	835	37,503
Tools and instruments prepared for production	757	138	144	751
Others	22	—	—	22
	48,386	1,995	1,647	48,734

20. Intangible assets

	2014.01.01	Increase	Decrease	2014.06.30
Historical cost	18,717,809	366,164	262,239	18,821,734
Land use rights	7,030,945	65,026	215,777	6,880,194
Mining rights	4,197,149	205,174	17,325	4,384,998
The right to use the franchise	7,071,649	70,193	28,452	7,113,390
Computer software	371,329	25,204	485	396,048
Patent and proprietary technology	46,467	567	200	46,834
Trademark right	270	—	—	270
Accumulated amortisation	1,487,355	169,014	20,805	1,635,564
Land use rights	777,658	71,782	20,150	829,290
Mining rights	81,790	3,765	23	85,532
The right to use the franchise	384,682	69,276	32	453,926
Computer software	209,960	22,845	400	232,405
Patent and proprietary technology	32,995	1,346	200	34,141
Trademark right	270	—	—	270

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

20. Intangible assets (Continued)

	2014.01.01	Increase	Decrease	2014.06.30
Intangible assets, net of amortisation	17,230,454	—	—	17,186,170
Land use rights	6,253,287	—	—	6,050,904
Mining rights	4,115,359	—	—	4,299,466
The right to use the franchise	6,686,967	—	—	6,659,464
Computer software	161,369	—	—	163,643
Patent and proprietary technology	13,472	—	—	12,693
Trademark right	—	—	—	—
Provision for impairment	1,951,722	135,252	—	2,086,974
Land use rights	—	—	—	—
Mining rights	1,951,722	135,252	—	2,086,974
The right to use the franchise	—	—	—	—
Computer software	—	—	—	—
Patent and proprietary technology	—	—	—	—
Trademark right	—	—	—	—
Carrying amount of intangible assets	15,278,732	—	—	15,099,196
Land use rights	6,253,287	—	—	6,050,904
Mining rights	2,163,637	—	—	2,212,492
The right to use the franchise	6,686,967	—	—	6,659,464
Computer software	161,369	—	—	163,643
Patent and proprietary technology	13,472	—	—	12,693
Trademark right	—	—	—	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

20. Intangible assets (Continued)

- (a) As at 31 December 2012, the Group has completed its feasibility study on the development of Cape Lambert Iron Project owned by MCC Australia Holding Pty Ltd. ("MCCAH", a wholly owned subsidiary of the Company). Based on the feasibility study, the Group concluded that the Cape Lambert Iron Project assets ("Cape Lambert Assets") may be subject to impairment. Accordingly, the Group performed an impairment assessment based on its estimated recoverable value. The estimated recoverable value is determined based on fair value less costs to sell. The fair value of the Cape Lambert Assets is determined by a valuation performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer. The valuation is based on the Adjusted Prior Sales Multiples Method, a market approach technique. Based on the impairment assessment, the Group has made an impairment provision for the mining rights amounting to RMB2,296,208,000 for the year ended 31 December 2012.

As at 31 December 2013 and 30 June 2014, based on the impairment assessment performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the Group reassessed the major factors which may affect the impairment assessment. Based on the result of this impairment assessment, no additional adjustment for impairment provision was considered necessary. In the current period, the increment of the impairment provision of RMB135,252,000 is due to the foreign exchange fluctuation between AUD and RMB.

- (b) The amortization of intangible assets amounted to RMB168,987,000 for the current period (six months ended 30 June 2013: RMB159,844,000).
- (c) Intangible assets with title restriction as at 30 June 2014 and 31 December 2013 are set out in note V(26).
- (d) As at 30 June 2014, the intangible assets held for sale of the Group are set out in note V(10).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

21. Goodwill

	2014.01.01	Increase	Decrease	2014.06.30
Beijing HaiKe Real Estate Development Co., Ltd (北京海科房地產開發有限公司)	6,477	—	—	6,477
Beijing ShengPeng Real Estate Development Co., Ltd (北京聖鵬房地產開發有限公司)	94,923	—	—	94,923
Shanghai WuGang Equipment Engineering Co., Ltd. (上海五鋼設備工程有限公司)	1,114	—	—	1,114
Shanghai YiGang Electrical Co., Ltd. (上海一鋼機電有限公司)	448	—	—	448
Qingdao JinZe HuaDi Real Estate Development Co., Ltd (青島金澤華帝房地產有限公司)	9,779	—	—	9,779
Beijing TianRun Construction Engineering Co., Ltd. (北京天潤建設工程有限公司)	5,142	—	—	5,142
Ningxian HongDa Mining Ltd. (寧城縣宏大礦業有限公司)	7,187	—	—	7,187
Chengde Tiangong Architectural Design Co., Ltd. (承德市天工建築設計有限公司)	33,460	—	—	33,460
Wuhan GaoSheng Construction Engineering Design Co., Ltd. (武漢高勝建築工程設計有限公司)	187	—	—	187
Wuhan Huaxia Jingchong Technology Co., Ltd. (武漢華夏精沖技術有限公司)	837	—	—	837
Shanghai SanGang Transport Handling Ltd. (上海三鋼運輸裝卸有限公司)	9,676	—	—	9,676
Beijing GuangYuanli Real Estate Development Co., Ltd (北京廣源利房地產開發有限公司)	170,886	—	—	170,886
Beijing XinAn Real Estate Development Co., Ltd (北京欣安房地產開發有限公司)	11,830	—	—	11,830
MCC Minera Sierra Grande S.A (中冶阿根廷礦業有限公司)(a)	122,650	—	20,242	102,408
MCC Finance Corporation Ltd. (中冶集團財務有限公司)	105,032	—	—	105,032
	579,628		20,242	559,386

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

21. Goodwill (Continued)

	2014.01.01	Increase	Decrease	2014.06.30
Less: Impairment provision				
Beijing HaiKe Real Estate Development Co., Ltd (北京海科房地產開發有限公司)	6,477	—	—	6,477
Beijing ShengPeng Real Estate Development Co., Ltd (北京聖鵬房地產開發有限公司)	94,923	—	—	94,923
Qingdao JinZe HuaDi Real Estate Development Co., Ltd (青島金澤華帝房地產有限公司)	7,385	—	—	7,385
Shanghai SanGang Transport Handling Ltd. (上海三鋼運輸裝卸有限公司)	9,676	—	—	9,676
Beijing GuangYuanli Real Estate Development Co., Ltd (北京廣源利房地產開發有限公司)	170,886	—	—	170,886
Beijing XinAn Real Estate Development Co., Ltd (北京欣安房地產開發有限公司)	11,830	—	—	11,830
	301,177			301,177
	278,451	—	20,242	258,209

- (a) The recoverable value is calculated based on the present value of future cash flows which is approved by the management based on the assets and a pre-tax discount rate of 22.31% (MCC Mineral Sierra Grande S.A.) and 17.33% (MCC Finance Corporation Ltd.). Cash flow projections during the forecast period for the cash generating units are based on the expected growth rates and gross margins during the forecast period. Forecast growth rate is based on the expected growth rate for the industry. Forecast gross margin has been determined based on past performance and management's expectations for the market development.

As at 30 June 2014, management of the Group is of the view that there was no impairment of goodwill and believes that any reasonably change in any of the key assumptions would not cause the carrying amounts of the cash generating units to exceed their recoverable amounts. Goodwill in connection with the acquisition of MCC Argentina Mining Co. Ltd. decreased by RMB20,242,000 is due to the change of the exchange rate between Argentina Peso and RMB.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

22. Long-term prepaid expenses

	2014.01.01	Increase	Amortisation	Other decreases	2014.06.30	Reasons for other decreases
Improvements of operating lease of fixed assets	35,435	857	4,788	—	31,504	—
Insurance expenses	13,865	597	1,290	833	12,339	Foreign exchange gains and losses
Rental	52,259	2,505	7,951	—	46,813	—
Repair expenses	5,673	69	472	—	5,270	—
Others	69,649	18,165	12,337	657	74,820	Foreign exchange gains and losses
	176,881	22,193	26,838	1,490	170,746	

23. Deferred tax assets and deferred tax liabilities

- (a) Deferred tax assets without taking into consideration of the offsetting of balances within the same tax jurisdiction are as follows:

	2014.06.30		2013.12.31	
	Deferred tax assets	Deductible temporary differences/ deductible tax loss	Deferred tax assets	Deductible temporary differences/ deductible tax losses
Impairment provision	1,716,137	8,113,310	1,638,703	7,764,232
Unrealized profit on inter-company transactions	291,392	1,352,080	267,050	1,127,550
Provisions	454,146	1,874,824	462,946	1,904,820
Deductible tax losses	180,917	777,096	185,781	755,545
Retirement benefits	119,523	576,569	116,803	524,332
Others	286,999	1,569,374	316,063	1,479,046
	3,049,114	14,263,253	2,987,346	13,555,525

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

- (b) Deferred tax liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction are as follows:

	2014.06.30		2013.12.31	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
Fair value adjustments upon business combination not under common control	64,247	185,448	85,006	248,826
Changes in the fair value of available-for-sale financial assets recognised in capital reserve	49,494	198,078	47,867	191,503
Others	444,082	1,769,126	429,218	1,740,666
	557,823	2,152,652	562,091	2,180,995

Others mainly represent deferred tax liabilities arising from the differences on recognition of construction contract income and the differences on borrowing costs capitalization on consolidated financial statements.

- (c) Details of the Group's unrecognized deductible tax losses and other deductible temporary differences are as follows:

	2014.06.30	2013.12.31
Deductible temporary differences	8,978,200	8,289,709
Deductible tax losses	26,187,427	26,232,303
	35,165,627	34,522,012

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

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

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

	2014.06.30	2013.12.31
2014	—	1,571,027
2015	1,599,180	1,649,832
2016	3,522,019	3,721,942
2017	8,102,097	8,103,270
2018	11,240,091	11,186,232
2019	1,724,040	—
	26,187,427	26,232,303

- (e) As at 30 June 2014, the following deferred tax assets and deferred tax liabilities were offset with each other:

	2014.06.30	2013.12.31
Deferred tax assets	74,408	89,451
Deferred tax liabilities	74,408	89,451

Deferred tax assets and deferred tax liabilities that are presented on a net basis:

	2014.06.30	2013.12.31
Deferred tax assets	2,974,706	2,897,895
Deferred tax liabilities	483,415	472,640

24. Other non-current assets

	2014.06.30	2013.12.31
Prepaid taxes	81,365	101,365
Deposits for acquisition of assets	98,301	98,301
Others	39,100	28,479
	218,766	228,145

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

25. Impairment provision for assets

	2014.01.01	Increase		Decrease			2014.06.30
		Provision	Other additions	Reversal	Write-off	Other deductions	
Provision for bad debts	7,704,857	637,538	170	58,000	4,961	422	8,279,182
Including: Provision for bad debts on accounts receivable/							
long-term receivables	6,153,133	513,538	151	58,000	4,961	422	6,603,439
Provision for bad debts on other receivables	1,551,724	124,000	19	—	—	—	1,675,743
Impairment provision for inventories	822,863	295,659	174	—	96,110	12,265	1,010,321
Impairment provision for held-to-maturity investments	4,095	—	—	—	—	—	4,095
Impairment provision for available-for-sale financial assets	60,794	1,109	—	—	—	—	61,903
Impairment provision for long-term equity investments	3,408	38,737	—	—	—	—	42,145
Impairment provision for fixed assets	619,695	140,052	282,388	—	—	—	1,042,135
Impairment provision for construction in progress	341,778	42,211	—	—	—	278,694	105,295
Impairment provision for intangible assets	1,951,722	—	135,252	—	—	—	2,086,974
Impairment provision for goodwill	301,177	—	—	—	—	—	301,177
Impairment provision for materials for construction of fixed assets	4,500	—	42	—	—	—	4,542
Others	46,172	(3,280)	—	—	—	—	42,892
	11,861,061	1,152,026	418,026	58,000	101,071	291,381	12,980,661

26. Assets with title restrictions

	2014.01.01	Increase	Decrease	2014.06.30
Cash and bank balances	2,343,025	3,812,168	1,625,388	4,529,805
Bills receivable	513,237	925,076	771,434	666,879
Accounts receivable	1,817,061	1,514,670	956,339	2,375,392
Inventories	4,386,373	2,032,774	1,188,805	5,230,342
Investment properties	4,267	388,096	1,697	390,666
Fixed assets	1,119,905	72,359	110,144	1,082,120
Intangible assets	372,195	306,315	88,332	590,178
Long-term receivables	2,247,585	2,339,736	—	4,587,321
	12,803,648	11,391,194	4,742,139	19,452,703

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

26. Assets with title restrictions (Continued)

	Mortgage	Pledge	Frozen	Other reasons	Total	Amount of mortgage or pledge to obtain short-term or long-term loans	Amount of short-term or long-term loans obtained by mortgage or pledge
Cash and bank balances	—	354,163	1,675,727	2,499,915	4,529,805	—	—
Bills receivable	—	664,981	—	1,898	666,879	16,000	16,000
Accounts receivable	—	1,640,406	—	734,986	2,375,392	2,375,392	2,025,200
Inventories	5,230,342	—	—	—	5,230,342	5,211,140	3,790,748
Investment properties	390,666	—	—	—	390,666	388,096	320,000
Fixed assets	1,082,120	—	—	—	1,082,120	1,050,500	462,993
Intangible assets	590,178	—	—	—	590,178	476,974	437,300
Long-term receivables	174,172	4,413,149	—	—	4,587,321	4,587,321	2,337,261
	7,467,478	7,072,699	1,675,727	3,236,799	19,452,703	14,105,423	9,389,502

27. Short-term borrowings

(a) Categories of short-term borrowings:

	2014.06.30			2013.12.31		
	Foreign currency	Exchange rates	RMB	Foreign currency	Exchange rates	RMB
Pledged loans RMB	—	—	974,800	—	—	131,800
Mortgaged loans RMB	—	—	383,000	—	—	406,000
Guaranteed loans RMB	—	—	100,000	—	—	50,000
Other loans RMB	—	—	47,936,409	—	—	43,917,846
USD	181,717	6.1528	1,118,071	83,107	6.0969	506,697
Other currencies	—	—	162,262	—	—	68,255
			49,216,742			44,492,798
			50,674,542			45,080,598

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

27. Short-term borrowings (Continued)

(a) Categories of short-term borrowings: (Continued)

As at 30 June 2014, details of the pledged loans, mortgaged loans and guaranteed loans are set out as follows:

(i) Pledged loans

As at 30 June 2014, certain borrowings of RMB974,800,000 (as at 31 December 2013: RMB131,800,000) were secured by the pledge of the Group's accounts receivable and bills receivable in an aggregate amount of RMB1,307,404,000 (as at 31 December 2013: RMB286,255,000).

(ii) Mortgaged loans

As at 30 June 2014, certain borrowings of RMB383,000,000 (as at 31 December 2013: RMB406,000,000) were secured by the mortgage of the Group's intangible assets and fixed assets in an aggregate amount of RMB620,133,000 (as at 31 December 2013: RMB690,106,000).

(iii) Guaranteed loans

As at 30 June 2014, certain borrowings of RMB100,000,000 (as at 31 December 2013: RMB50,000,000) were guaranteed by independent third parties.

As at 30 June 2014, the weighted average interest rate of short-term borrowings was 6.07% per annum (as at 31 December 2013: 6.13% per annum).

(b) As at 30 June 2014, the Group did not have any significant overdue short-term borrowings.

28. Bills payable

	2014.06.30	2013.12.31
Commercial acceptance bills	1,017,169	955,917
Bank acceptance bills	11,145,886	6,654,329
	12,163,055	7,610,246

As at 30 June 2014, bills payable of RMB 12,163,055,000 will be due within one year (as at 31 December 2013: RMB 7,610,246,000).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

29. Accounts payable

	2014.06.30	2013.12.31
Project fees	43,654,311	40,566,634
Purchases	16,586,863	16,739,165
Design fees	135,781	157,515
Labour fees	3,698,500	3,842,863
Accrued accounts payable	8,626,419	7,991,941
Retention money	357,454	403,679
Others	587,593	484,666
	73,646,921	70,186,463

(a) Aging analysis of accounts payable is set out below:

	2014.06.30	2013.12.31
Within 1 year	53,607,782	51,280,401
1 to 2 years	11,261,155	10,613,663
2 to 3 years	4,613,811	4,470,369
Over 3 years	4,164,173	3,822,030
	73,646,921	70,186,463

(b) As at 30 June 2014 and 31 December 2013, there was no accounts payable to any shareholder who is holding 5% or more voting shares of the Company.

(c) Further details of receivables from and payables to other related parties are set out in the footnote of related party relationship and related party transactions in item 6 of note VII.

(d) As at 30 June 2014, accounts payable aged over one year were RMB20,039,139,000 (as at 31 December 2013: RMB18,906,062,000), primarily representing the remaining balances for project fees and purchase of materials. As the relevant projects were not completed yet, the outstanding payables have not been settled.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

30. Receipts in advance

	2014.06.30	2013.12.31
Project fees	11,271,325	11,158,647
Sale proceeds	10,068,432	11,172,759
Design fees	929,243	989,321
Labour fees	48,720	47,571
Gross amount due to contract customers	11,671,828	11,587,947
Others	360,573	354,924
	34,350,121	35,311,169

- (a) As at 30 June 2014 and 31 December 2013, there was no receipts in advance from any shareholder who is holding 5% or more voting shares of the Company.
- (b) Further details of receivables from and payables to other related parties are set out in the footnote of related party relationship and related party transactions in note VI.
- (c) As at 30 June 2014, receipts in advance aged over one year were RMB6,634,066,000, (as at 31 December 2013: RMB8,746,849,000) mainly relating to project fees and sale proceeds receipt in advance.

31. Employee benefits payable

	2014.01.01	Increase	Decrease	2014.06.30
Salaries, bonuses, allowances and subsidies	1,068,445	4,846,811	4,789,797	1,125,459
Staff welfare	1,879	157,228	157,488	1,619
Social insurance premiums	217,531	1,681,839	1,658,214	241,156
including: Medical insurance	49,651	405,451	400,263	54,839
Basic retirement insurance	109,026	939,695	937,129	111,592
Supplementary retirement insurance	51,155	206,644	192,030	65,769
Unemployment insurance	5,681	77,416	75,886	7,211
Work-related injury insurance	865	26,868	26,610	1,123
Maternity insurance	1,153	25,765	26,296	622
Housing provident funds	116,376	588,205	579,668	124,913
Labour union expenditures and employees' education expenses	506,188	122,063	78,951	549,300
Termination benefits	26,113	24,325	24,614	25,824
including: Compensations to employees for termination of employment relationship	100	13,810	7,564	6,346
Expected expenditures on early retired staff	25,995	1,454	7,989	19,460
Others	23,759	125,411	112,456	36,714
	1,960,291	7,545,882	7,401,188	2,104,985

As at 30 June 2014, there was no overdue employee benefits payable. The entire employee benefits payable was expected to be fully settled in 2014.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

32. Taxes payable

	2014.06.30	2013.12.31
Value added tax	191,537	226,609
Consumption tax	12,926	6,863
Business tax	4,259,016	4,222,100
Enterprise income tax	1,178,542	1,497,202
Individual income tax	79,934	318,983
Urban maintenance and construction tax	301,835	298,646
Education surcharges	201,581	202,315
Land appreciation tax	142,708	272,326
Others	285,834	259,693
	6,653,913	7,304,737

33. Interest payable

	2014.06.30	2013.12.31
Interest payables for corporate bonds	1,009,824	748,473
Interest payables for loans	228,998	202,352
Others	—	25,553
	1,238,822	976,378

34. Dividends payable

	2014.06.30	2013.12.31
The Company - 2013 dividends payable	1,165,710	—
including: payable to China Metallurgical Group Corporation (b)	748,172	—
other shareholders of the Company	417,538	—
Nanjing Hexi New City State-owned Asset Management Holdings (Group) Co., Ltd.	174,300	174,300
Panzhuhua New Steel and Vanadium Ltd.	129,385	129,385
Luoyang Silicon Industry Group Co., Ltd.(a)	105,364	105,364
Others	295,795	389,600
	1,870,554	798,649

(a) The dividends payable aged over one year is because MCC is negotiating with the relevant shareholders for the settlement plan.

(b) As at 30 June 2014, there was dividends payable to shareholder, who is holding 5% or more voting shares of the Company, of RMB748,172,000 (as at 31 December 2013: nil), representing the dividend declared for the year ended 31 December 2013 but not yet settled.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

35. Other payables

(1) The breakdown of other payables was as follows:

	2014.06.30	2013.12.31
Guarantees and deposits payable	12,134,574	12,553,182
Rental payable	385,566	286,944
Utilities payable	315,703	275,664
Repair and maintenance payable	249,539	249,482
Land-transferring fees payable	119,945	197,698
Others	6,624,168	6,230,139
	19,829,495	19,793,109

(a) Amount payable to shareholder who is holding 5% or more of the Company's voting rights was as follows:

	2014.06.30	2013.12.31
China Metallurgical Group Corporation	91,905	87,676

(b) Other payables to related parties

Details of the balances of receivables from and payables to related parties are set out in the footnote of related party relationship and related party transactions in item 6 of note (VII).

(c) As at 30 June 2014, other payables aged over one year were RMB11,708,400,000 (as at 31 December 2013: RMB6,928,540,000), mainly including guarantees and deposits payable. The guarantees and deposits payable are unsettled because their settlement dates are not yet due.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

36. Provisions

	2014.01.01	Increase	Decrease	2014.06.30
Supplementary-retirement benefits	3,952,311	236,415	182,072	4,006,654
Pending litigations	18,840	243	5,779	13,304
Product quality warranties	5,483	3,029	2,040	6,472
Restoration, rehabilitation and environmental provision	38,438	—	14,066	24,372
Others	34,698	5,915	1,206	39,407
	4,049,770	245,602	205,163	4,090,209

(a) The supplementary-retirement benefits are for employees who retired before 31 December 2007. Amount of individual employee's supplementary-retirement benefits depends on his/her position, length of service and wage at the time of retirement. The above obligations were determined based on actuarial valuations performed by Towers Perrin Consulting Company Limited (member of the Society of Actuaries and the China Association of Actuaries), an independent qualified actuarial firm, using cumulative benefit unit method.

(i) Supplementary-retirement benefits of the Group

	2014.06.30	2013.12.31
Defined benefit liabilities	4,526,282	4,566,826
Less: Portion of non-current liabilities due within one year (note V(37))	519,628	614,515
	4,006,654	3,952,311

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

36. Provision (Continued)

(a) (Continued)

(ii) Movements of supplementary-retirement benefits of the Group

	Present value of defined benefit liabilities
2014.01.01	4,566,826
Balance that recognized as profit or loss in the current period	115,963
— Cost of past services	24,465
— Net interests of net liabilities	91,498
— Impact of settlements	—
Recalculated balance	120,452
— Actuarial gain or loss	120,452
Benefits paid	(276,959)
2014.06.30	<u>4,526,282</u>
	Present value of defined benefit liabilities
2013.01.01	5,279,845
Balance that recognized as profit or loss in the current period	193,425
— Cost of past services	16,435
— Net interests of net liabilities	181,047
— Impact of settlement	(4,057)
Recalculated balance	(333,007)
— Actuarial gain or loss	(333,007)
Benefits paid	(573,437)
2013.06.30	<u>4,566,826</u>

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

36. Provision (Continued)

(a) (Continued)

(iii) Major assumptions adopted in the calculation of defined benefit liabilities

	2014.06.30	2013.12.31
Discount rate	4.00%	4.50%
Death rate	Average life span of Chinese Residence	Average life span of Chinese Residence
Growth rate of living expenses for early retired employees, off-the-job employees and their surviving dependents	4.50%	4.50%
Growth rate of employees' medical expenses	8.00%	8.00%

(iv) Supplementary-retirement benefits liabilities make the Group subject to certain risks, including interest risk of national treasury bonds, risk of inflation and expected life span etc.

Decrease in the interest rate of national treasury bonds will result in the increase in defined benefits liabilities. However, the Group is of the view that the return rate of national treasury bonds will not have significant fluctuation in the future. The change of inflation rate will have impact on the growth rate of living expenses for early retired employees, off-the-job employees and their surviving dependents and the growth rate of employees' medical expenses, which are the major assumptions used in the calculation of defined benefit liabilities. However, the Group is of the view that this risk is not significant. The increase in expected life span will increase in defined benefit provision.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

37. Non-current liabilities due within one year

	2014.06.30	2013.12.31
Long-term borrowings due within one year	10,728,129	10,362,344
Long-term payables due within one year	112,939	112,530
Long-term provisions due within one year (supplemental retired benefits)	519,628	614,515
Long-term provisions due within one year (pending litigations)	466	6,618
	11,361,162	11,096,007

(a) Long-term payables due within one year

The top five largest long-term payables due within one year

	Period	Opening balance	Interest rate %	Interest accrual	Closing balance	Borrowing terms
Party 1	1 year	150,000	7.05	—	100,000	Pledge of return right
Party 2	1 year	220,000	—	—	12,939	Nil
		<u>370,000</u>			<u>112,939</u>	

38. Other current liabilities

	2014.06.30	2013.12.31
Current portion of deferred income (note V(43(a)))	28,159	27,212
Short term bonds (note V(40))	10,900,000	18,900,000
Others	28,916	—
	10,957,075	18,927,212

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Long-term borrowings

	2014.06.30			2013.12.31		
	Foreign currency	Exchange rate	RMB	Foreign currency	Exchange rate	RMB
Pledged loans						
RMB	—	—	2,322,369	—	—	1,235,560
SGD	53,880	4.9748	268,042	26,280	4.7845	125,737
			2,590,411			1,361,297
Mortgaged loans						
RMB	—	—	3,355,300	—	—	3,286,900
SGD	419,312	4.9748	2,085,991	442,239	4.7845	2,115,895
			5,441,291			5,402,795
Guaranteed loans						
RMB	—	—	282,500	—	—	266,000
			282,500			266,000
Other loans						
RMB	—	—	22,689,092	—	—	22,405,734
USD	542,338	6.1528	3,336,898	413,400	6.0969	2,520,458
SGD	61	4.9748	301	5,038	4.7845	24,105
			26,026,291			24,950,297
Total			34,340,493			31,980,389
Less: Long-term borrowings due within one year						
Including: Pledged loans			300,479			125,737
Mortgaged loans			1,709,508			830,800
Guaranteed loans			228,000			231,000
Other loans			8,490,142			9,174,807
			10,728,129			10,362,344
Long-term borrowings due over one year			23,612,364			21,618,045

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Long-term borrowings (Continued)

(a) As at 30 June 2014, the maturity profile of long-term borrowings is as follows:

	2014.06.30	2013.12.31
Within one year	10,728,129	10,362,344
In the second year	7,495,638	9,415,171
In the third to fifth years, inclusive	10,237,092	7,581,962
Beyond five years	5,879,634	4,620,912
	34,340,493	31,980,389

(b) As at 30 June 2014, details of the pledged loans, mortgaged loans and guaranteed loans are set out as follows:

(i) Pledged loans

As at 30 June 2014, long-term borrowings of RMB2,590,411,000 (as at 31 December 2013: RMB1,361,297,000) were secured by the pledge of the Group's long-term receivables, intangible assets and accounts receivable in an aggregate amount of RMB5,231,966,000 (as at 31 December 2013: RMB2,373,321,000).

(ii) Mortgaged loans

As at 30 June 2014, long-term borrowings of RMB5,441,291,000 (as at 31 December 2013: RMB5,402,795,000) were secured by the mortgage of the Group's intangible assets, fixed assets, investment properties, construction in progress and inventories in an aggregate amount of RMB6,945,920,000 (as at 31 December 2013: RMB5,904,660,000).

(iii) Guaranteed loans

As at 30 June 2014, long-term borrowings of RMB282,500,000 (as at 31 December 2013: RMB266,000,000) were guaranteed by independent third parties.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

39. Long-term borrowings (Continued)

(c) The top five largest long-term borrowings (not including amount due within one year)

	Loan inception date	Loan maturity date	Currency	Interest rate %	2014.06.30		2013.12.31	
					Amount in foreign currency	RMB	Amount in foreign currency	RMB
Party 1	08/01/2008	07/01/2032	RMB	6.55	—	2,373,000	—	2,373,000
Party 2	31/07/2012	31/07/2020	RMB	6.55	—	1,890,560	—	1,235,560
Party 3	27/06/2014	27/06/2017	RMB	4.20	—	1,800,000	—	—
Party 4	20/11/2013	19/11/2016	RMB	5.30	—	1,500,000	—	1,500,000
Party 5	30/10/2013	29/10/2016	SGD	2.90	231,760	1,152,960	231,760	1,108,856
						8,716,520		6,217,416

(d) The top five largest long-term borrowings due within one year

	Loan inception date	Loan maturity date	Currency	Interest rate %	2014.06.30		2013.12.31	
					Amount in foreign currency	RMB	Amount in foreign currency	RMB
Party 1	24/09/2012	23/09/2014	RMB	9.50	—	1,996,000	—	2,497,000
Party 2	29/10/2012	28/10/2014	RMB	9.50	—	1,497,000	—	1,498,000
Party 3	30/01/2012	29/01/2015	SGD	2.40	160,300	797,460	160,300	766,955
Party 4	29/09/2011	28/09/2014	RMB	6.65	—	450,000	—	450,000
Party 5	12/04/2008	30/04/2015	USD	5.00	56,000	344,557	56,000	346,007
						5,085,017		5,557,962

(e) As at 30 June 2014, the weighted average interest rate of long-term borrowings was 6.23% per annum (as at 31 December 2013: 6.26% per annum).

(f) As at 30 June 2014, the Group did not have any significant overdue long-term borrowings.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

40. Bonds payable

	2014.01.01	Increase	Decrease	2014.06.30
Corporate debentures	2,704,000	—	—	2,704,000
Corporate medium-term notes	14,870,737	47,906	—	14,918,643
USD debentures	3,031,326	3,107,486	121,280	6,017,532
	20,606,063	3,155,392	121,280	23,640,175

Name of bonds	Par value	Issue date	Term	Issue price	2014.06.30
Corporate Debentures (a)	3,500,000	23/07/2008	10 years	3,500,000	2,704,000
Corporate Medium-term Notes (b)	10,000,000	19/09/2010	10 years	9,971,110	10,189,603
Corporate Medium-term Notes (c)	4,700,000	15/11/2010	5 years	4,686,400	4,729,040
USD debentures (d)	3,322,100	29/07/2011	5 years	3,188,432	3,062,412
USD debentures (e)	3,076,400	16/06/2014	3 years	2,953,930	2,955,120
Short-term Debentures (f)	3,900,000	12/07/2013	1 year	3,900,000	3,900,000
Extra Short-term Debentures (g)	3,500,000	11/02/2014	180 days	3,500,000	3,500,000
Extra Short-term Debentures (h)	3,500,000	13/03/2014	180 days	3,500,000	3,500,000
	35,498,500			35,199,872	34,540,175

Less: Bonds payable classified as
other current liabilities

Short-term Debentures (f)	3,900,000	12/07/2013	1 year	3,900,000	3,900,000
Extra Short-term Debentures (g)	3,500,000	11/02/2014	180 days	3,500,000	3,500,000
Extra Short-term Debentures (h)	3,500,000	13/03/2014	180 days	3,500,000	3,500,000
	10,900,000			10,900,000	10,900,000
					23,640,175

Analysis of interests payable is as follows:

	Opening balance	Accrual	Paid	Closing balance
Bonds payable	748,473	861,275	599,924	1,009,824

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

40. Bonds payable (Continued)

- (a) As approved by the National Development and Reform Commission, the Group issued corporate debentures in July 2008 at par value of RMB3,500 million, with a term of ten years from issuance and interest rate of 6.10% per annum.
- (b) As approved by the acceptance notice for registration (Zhongshixiezhuzhu[2010]MTN90) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Medium-term Notes ("MTN") on 19 September 2010 at a discounted price of RMB9,971,110,000 with a par value of RMB10,000,000,000, a term of ten years from issuance and interest rate of 3.95% per annum and with the issuer's redemption rights at the end of fifth year. If the Company does not exercise its redemption rights in the fifth year, the coupon rate of the MTN for the 6th year to the 10th year will increase to 5.09% per annum.
- (c) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2010]MTN90) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche II MTN on 15 November 2010 at a discounted price of RMB4,686,400,000 with a par value of RMB4,700,000,000, a term of five years from issuance and interest rate of 4.72% per annum.
- (d) MCC Holding (Hong Kong) Co., Ltd. issued USD debentures on 29 July 2011 at a discounted price of USD497,025,000 with a par value of USD500,000,000 million, a term of five years from issuance. The debentures bear interests at a fixed rate of 4.875% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the holding company of the Company, China Metallurgical Group Corporation.
- (e) MCC Holding (Hong Kong) Co., Ltd. issued USD debentures on 16 June 2014 at a discounted price of USD480,025,000, with a par value of USD500,000,000, a term of three years from issuance. The debentures bear interests at a fixed rate of 2.625% per annum. Interest will be paid every half year and principal will be paid upon maturity date. The debentures are guaranteed by the Bank of China, London Branch.
- (f) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2013]CP238) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche III Short-term Debentures on 12 July 2013 at par value of RMB3,900 million, with a term of one year from issuance. The debentures were unsecured and bear interests at a fixed rate of 4.98% per annum. Principal and interests are paid upon maturity date.
- (g) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2012]SCP17) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche I Extra Short-term Debentures on 11 February 2014 at par value of RMB3,500 million, with a term of 180 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 6.00% per annum. Principal and interests are paid upon maturity date.
- (h) As approved by the acceptance notice for registration (Zhongshixiezhuzhu [2012]SCP17) from the National Association of Financial Market Institutional Investors, the Company issued its Tranche II Extra Short-term Debentures on 13 March 2014 at par value of RMB3,500 million, with a term of 180 days from issuance. The debentures were unsecured and bear interests at a fixed rate of 5.60% per annum. Principal and interests are paid upon maturity date.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

41. Long-term payables

	2014.06.30	2013.12.31
Finance lease payables	81,043	87,694
Housing maintenance fee payables	50,162	49,263
Funds payable	215	215
Others	241,424	129,121
	372,844	266,293

(a) The top five largest long-term payables (not including amount due within one year)

	Term	Opening balance	Interest rate %	Interest accrual	Closing balance	Borrowing terms
Party 1	5 yrs	120,000	—	—	112,607	credit
Party 2	5 yrs	100,000	—	—	81,043	NA
Party 3	3 yrs	78,980	—	—	78,980	credit
Party 4	2 yrs	26,191	—	—	26,191	NA
Party 5	5 yrs	19,127	—	—	22,904	NA
		344,298			321,725	

(b) Details of finance lease payables

	2014.06.30	2013.12.31
Party 1	119,400	130,400
less: Unrecognised finance costs	25,418	30,400
Finance lease payables due within one year	12,939	12,306
	81,043	87,694

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

42. Special payables

	2014.01.01	Increase	Decrease	2014.06.30
Housing allowance payables	725	—	—	725
Special housing maintenance fee payables	43	—	—	43
Special demolition compensation payables	38,705	30,000	150	68,555
Others	3,247	1,934	163	5,018
	42,720	31,934	313	74,341

43. Other non-current liabilities

	2014.06.30	2013.12.31
Deferred income (a)	1,526,713	1,628,112
Others	39,100	28,479
	1,565,813	1,656,591
Less: Current portion of deferred income	28,159	27,212
	1,537,654	1,629,379

(a) Deferred income

	2014.06.30	2013.12.31
Deferred income relating to government grants	1,294,722	1,387,934
including: Government grants relating to research and development expenditures	405,041	421,131
Government grants relating to subsidies of investments	56,253	56,690
Government grants relating to housing relocation and demolition	284,741	287,461
Other government grants	548,687	622,652
Other deferred income	203,832	212,966
	1,498,554	1,600,900

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

44. Share capital

	Changes for the current period					Subtotal	2014.06.30
	2014.01.01	Issue of new shares	Bonus issue	Shares converted from capital reserve	Others		
Shares not subject to selling restrictions:							
Renminbi-denominated ordinary shares	16,239,000	—	—	—	—	—	16,239,000
Overseas-listed foreign shares	2,871,000	—	—	—	—	—	2,871,000
Others	—	—	—	—	—	—	—
Subtotal	19,110,000	—	—	—	—	—	19,110,000
	19,110,000	—	—	—	—	—	19,110,000

	Changes for the period					Subtotal	2013.06.30
	2013.01.01	Issue of new shares	Bonus issue	Shares converted from capital reserve	Others		
Shares not subject to selling restrictions:							
Renminbi-denominated ordinary shares	16,239,000	—	—	—	—	—	16,239,000
Overseas-listed foreign shares	2,871,000	—	—	—	—	—	2,871,000
Others	—	—	—	—	—	—	—
Subtotal	19,110,000	—	—	—	—	—	19,110,000
	19,110,000	—	—	—	—	—	19,110,000

- (i) CMGC agreed to keep locking-up the 12,265,108,500 shares of the Company which were lifted on 21 September 2012 for another three years (i.e. from 21 September 2012 to 20 September 2015) voluntarily. During the new lock-up period, if the number of shares of the Company held by CMGC changes, such as capital reserve converting to share capital, distributing share dividends, right issue and new issue of shares etc., the number of the lock-up shares will be adjusted accordingly.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

45. Capital reserve

	2014.01.01	Increase	Decrease	2014.06.30
Share premium	17,947,320	—	—	17,947,320
Other capital reserve	666,162	—	213,316	452,801
	18,613,482	—	213,361	18,400,121
	2013.01.01	Increase	Decrease	2013.06.30
Share premium	17,947,320	—	—	17,947,320
Other capital reserve	436,725	328	51,343	385,710
	18,384,045	328	51,343	18,333,030

46. Surplus reserve

	2014.01.01	Increase	Decrease	2014.06.30
Statutory surplus reserve	420,659	—	—	420,659
Discretionary surplus reserve	—	—	—	—
	420,659	—	—	420,659
	2013.01.01	Increase	Decrease	2013.06.30
Statutory surplus reserve	289,366	—	—	289,366
Discretionary surplus reserve	—	—	—	—
	289,366	—	—	289,366

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

47. Retained earnings

	2014.01-06	2013.01-06
Retained earnings at the beginning of the period	6,585,181	3,735,610
Add: Net profit attributable to owners of the Company for the period	1,809,335	1,480,411
Less: Appropriation to statutory surplus reserve (i)	—	—
Appropriation to discretionary surplus reserve	—	—
Declaration of dividends on ordinary shares (ii)	1,165,710	—
Conversion of ordinary shares' dividends into share capital	—	—
Others	—	—
Retained earnings at the end of the period (iii)	7,228,806	5,216,021

(i) Appropriation to surplus reserve

In accordance with the Company's Articles of Association, the Company appropriated 10% of the net profit to the surplus reserve. Where the accumulated amount of surplus reserve reaches 50% of the Company's registered capital, additional appropriation will not be needed.

(ii) Distribution of dividends

In accordance with the resolution at the 2013 annual general meeting of shareholders on 27 June 2014, a final cash dividend of RMB0.61 (inclusive of tax) for every ten shares was approved after the appropriation to statutory surplus reserve, which amounted to RMB1,165,710,000. These dividends were paid in July 2014.

(iii) As at 30 June 2014, retained earnings contained surplus reserve of subsidiaries of the Company amounting to RMB7,078,500,000 (as at 31 December 2013: RMB7,078,500,000). Subsidiaries of the Company did not appropriate any surplus reserve for the current period (six months ended 30 June 2013: nil).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

48. Operating income and operating costs

	2014.01.01 2014.06.30	2013.01.01 2013.06.30
Principal operating income	95,733,176	90,727,311
Other operating income	433,376	425,899
	96,166,552	91,153,210
Principal operating costs	83,994,696	78,872,517
Other operating costs	302,173	313,339
	84,296,869	79,185,856

(a) Principal operating income and principal operating costs

Classified by industries:

	2014.01.01-2014.06.30		2013.01.01-2013.06.30	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Engineering and construction	79,638,300	70,160,599	74,636,819	65,227,054
Equipment manufacturing	3,733,520	3,358,041	4,161,652	3,739,058
Resources development	1,842,730	1,580,091	1,192,833	972,222
Property development	9,188,698	7,677,214	9,394,677	7,684,173
Others	1,329,928	1,218,571	1,341,330	1,250,010
	95,733,176	83,994,696	90,727,311	78,872,517

Classified by geographic locations:

	2014.01.01-2014.06.30		2013.01.01-2013.06.30	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
China	87,833,199	76,936,527	85,740,694	74,272,564
Other countries/regions	7,899,977	7,058,169	4,986,617	4,599,953
	95,733,176	83,994,696	90,727,311	78,872,517

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

48. Operating income and operating costs (Continued)

(b) Operating income from the top five largest customers of the Group

The total amount of operating income from the top five largest customers of the Group is RMB 6,864,056,000 (2013.01.01-2013.06.30: RMB5,850,255,000), accounting for 7.16% of the total operating income of the Group (2013.01.01-2013.06.30: 6.42%), further details are set out below:

	Operating income	As a percentage of total operating income of the Group
Party 1	1,661,893	1.73
Party 2	1,472,833	1.53
Party 3	1,470,828	1.53
Party 4	1,159,121	1.21
Party 5	1,099,381	1.14
	6,864,056	7.14

49. Business taxes and levies

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	Basis of calculation
Business tax	1,952,799	1,966,222	3% and 5%
City construction and maintenance tax	165,513	167,299	1%, 5% and 7%
Education surcharges	118,962	108,919	3%
Land appreciation tax	85,242	231,278	30%~60%
Others	75,295	97,896	—
	2,397,811	2,571,614	

50. Selling expenses

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Packing charges	1,400	2,430
Employee compensation costs	210,277	191,591
Depreciation expenses	5,476	5,602
Travelling expenses	57,249	54,638
Office expenses	96,995	100,252
Transportation expenses	133,188	151,253
Advertising expenses	110,174	125,497
Others	74,525	79,798
	689,284	711,061

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

51. Administrative expenses

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Employee compensation costs	1,740,401	1,784,994
Depreciation expenses	311,101	499,500
Fuel and heating expenditures	9,161	10,520
Travelling expenses	127,229	133,857
Office expenses	268,878	337,492
Lease rentals	50,842	40,782
Research and development expenses	663,664	541,229
Repairs and maintenance expenses	36,818	45,226
Amortisation of intangible assets	82,757	84,762
Consulting expenses	102,419	84,718
Tax charges	170,305	177,502
Others	307,451	368,159
	3,871,026	4,108,741

52. Financial expenses

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Interest expenses	3,368,235	4,099,266
Less: Capitalized interests	1,262,480	1,749,421
Less: Interest income	576,349	756,394
Exchange (gains) losses	(199,415)	695,290
Bank charges	201,271	99,785
Others	100,975	118,584
	1,632,237	2,507,110

53. Gains from changes in fair values

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Held-for-trading financial assets	(5,244)	(1,838)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

54. Investment income

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Investment income from holding available-for-sale financial assets (a)	104,296	32,529
Investment income on disposal of available-for-sale financial assets	3,032	-
Income from long-term equity investments under equity method (b)	(124,242)	(7,246)
Investment income on disposal of long-term equity investments	552,132	484,269
Investment income on disposal of held-for-trading financial assets	16,615	10,871
Others	(10,761)	8,111
	541,072	528,534

The Group is no subject to any significant risk of repatriation of investment income.

(a) Investment income from holding available-for-sale financial assets

The investees from which the Group received investment income accounts for more than 5% of the total profits of the Group or top five investees with the largest proportion of investment income to the Group are presented as follows:

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	Reasons for increase or decrease in the current period compared to the prior period
Hebei Iron and Steel Group Luanxian Sijiaying Iron Ore Co., Ltd.	101,136	28,896	Increase in dividend declared as performance improved
Luanxian Jidong Cement Co., Ltd.	1,583	-	No dividend declared in prior period
Baosteel Group Finance Co., Ltd.	1,443	-	No dividend declared in prior period
Hankou Bank Corporation	91	3,600	Decrease in dividend declared as performance downturn
Jiangxi Golden Century Advanced Materials Co., Ltd	43	-	No dividend declared in prior period
	104,296	32,496	

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

54. Investment income (Continued)

(b) Income from long-term equity investments under equity method

The investees from which the Group received investment income accounts for more than 5% of the total profits of the Group or top five investees with the largest proportion of investment income to the Group are presented as follows:

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	Reasons for increase or decrease in the current period compared to the prior period
Shigang Jingcheng Equipment Technology Co., Ltd.	(85,640)	—	Increase in investment in October 2013
Shanghai Union Auto Mobile Avenue Development Co., Ltd	(33,408)	—	Increase in loss
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	(14,774)	(8,894)	Increase in loss
Tianjin Zhongji Equipment Manufacturing Co., Ltd	(7,073)	(21,570)	Decrease in loss
Tianjin SERI Machinery Equipment Corporation Ltd.	7,007	16,015	Decrease in profit
	(133,888)	(14,449)	

55. Impairment losses on assets

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30 (Restated)
Bad debt provision	579,538	362,813
Written-down of inventories (note V(9)(b))	295,659	195,566
Impairment on available-for-sale financial assets (note V(11))	1,109	346
Impairment on long-term equity investments (note V(14)(c))	38,737	100
Impairment on fixed assets (note V(17)(a))	140,052	13,524
Impairment on goodwill (note V(21))	—	143
Impairment on construction in progress (note V(18)(b))	42,211	—
Others	(3,280)	24,096
	1,094,026	596,588

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

56. Non-operating income

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	Amount included in non-recurring profit or loss for the current period
Total gains on disposal of non-current assets	26,459	171,139	26,459
Including: Gains on disposal of fixed assets	19,687	156,839	19,687
Gains on disposal of intangible assets	6,359	13,960	6,359
Government grants (a)	502,502	247,350	502,502
Gains on debt restructuring	2,023	1,376	2,023
Approved unpayable balances	7,340	6,523	7,340
Income from penalty	2,730	24,660	2,730
Gains on inventory taking	—	90	—
Others	20,123	18,323	20,123
	561,177	469,461	561,177

(a) Details of government grants

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Refund of land use right fees	2,426	8,466
Tax refunds	36,849	60,788
Interest subsidies from local finance	1,315	5,371
Research subsidies	35,936	33,922
Support funds from local finance	79,142	78,482
Others	346,834	60,321
	502,502	247,350

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

57. Non-operating expenses

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	Amount included in non-recurring profit or loss for the current period
Losses on disposal of non-current assets	20,513	12,446	20,513
Including: Losses on disposal of fixed assets	16,529	10,327	16,529
Losses on disposal of intangible assets	3,982	2,119	3,982
Losses on debt restructuring	10,120	3,691	10,120
Non-recurring losses	54,560	17,002	54,560
Fines and surcharges for overdue payments	14,626	8,732	14,626
Compensation and default payments	2,419	7,970	2,419
Losses on written-off of fixed assets	1	189	1
Others	2,452	20,958	2,452
	104,691	70,988	104,691

58. Income tax expense

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Current tax expense	1,262,587	1,111,559
Deferred tax	(46,480)	(71,455)
	1,216,107	1,040,104

No provision for Hong Kong profits tax has been made as the Group does not have any assessable profit in Hong Kong for the current period.

Most of the companies now comprising the Group are subject to PRC enterprise income tax, which have been provided for 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 of 15%.

Taxation of overseas companies 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.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

58. Income tax expense (Continued)

The difference between the actual income tax charged in the consolidated income statements and the amount which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Total profit/loss	3,177,613	2,397,409
Income tax expenses calculated at the statutory tax rate (25%)	794,403	599,352
Effect of difference between applicable tax rate and statutory tax rate	(234,240)	(132,613)
Tax losses and other temporary differences for which no deferred income tax assets were recognized and utilisation of previously unrecognized tax losses and other temporary differences	540,196	648,133
Income not subject to taxation	(60,715)	(57,119)
Expenses not deductible for tax purposes	143,641	93,750
Additional tax relief	(29,717)	(25,344)
Others	62,539	(86,055)
Income tax expense	1,216,107	1,040,104

59. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the current period.

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Profit attributable to owners of the Company	1,809,335	1,480,411
Weighted average number of ordinary shares in issue (thousand)	19,110,000	19,110,000
Basic earnings per share (RMB)	0.09	0.08
Including:		
Basic earnings per share calculated based on profit from continuing operations	0.09	0.08
Basic earnings per share calculated based on profit from discontinued operations	—	—

(b) Diluted earnings per share

The Company did not have any dilutive ordinary shares for the current period (Jan-Jun 2013 nil).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

60. Other comprehensive income

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Other comprehensive income not to be reclassified to profit or loss in subsequent periods	—	—
Remeasurement of defined benefit obligations	(120,452)	249
Less: Income tax effects on remeasurement of defined benefit obligations	(10,371)	1,372
Subtotal	(110,081)	(1,123)
Other comprehensive income to be reclassified to profit or loss in subsequent periods		
Gains (losses) arising from available-for-sale financial assets	9,156	(68,079)
Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	(2,810)	—
Less: Income tax effects on available-for-sale financial assets	1,587	(17,020)
Subtotal	4,759	(51,059)
Share of other comprehensive income of the investee accounted for using the equity method	—	99
Less: Income tax effects on the share of other comprehensive income of the investee accounted for using the equity method	—	—
Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the period	—	—
Subtotal	—	99
Exchange differences of financial statements, of which the function currencies are in foreign currencies	(152,045)	246,869
Less: Net amount transferred to profit or loss for the period on disposal of foreign operations	—	—
Subtotal	(152,045)	246,869
	(257,367)	194,786

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

61. Notes to items in the cash flow statement

(a) Other cash receipts relating to operating activities

	2014.01-06	2013.01-06
Receipts of guarantee funds	—	488,667
Interest income	576,349	239,573
Settlements from receivables	907,598	386,038
Government grants	465,652	173,936
Amounts of collection and withholding	745,955	45,404
Deposits received	—	83,194
Others	534,610	11,733
	3,230,164	1,428,545

(b) Other cash payments relating to operating activities

	2014.01-06	2013.01-06
Payments of deposits and guarantee funds	5,758,417	667,780
Research and development expenses	663,665	483,636
Employee petty cash funds and advance in cash	279,296	297,274
Payments for retirement benefits	276,959	294,983
Travelling expenses	550,423	587,327
Office expenses	463,513	515,746
Utility expenses	766,671	624,971
Repairs and maintenance expenses	77,041	60,097
Advertising and media services expenses	36,186	66,275
Payments for payables	—	475,332
Conference expenses and association fees	13,228	20,171
Others	26,364	276,608
	8,911,763	4,370,200

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

61. Notes to items in the cash flow statement (Continued)

(c) Other cash receipts relating to investing activities

	2014.01-06	2013.01-06
Cash receipts of entrust loans from related parties and third parties	—	715,901
Cash receipts from government grants relating to assets	61,568	75,005
	61,568	790,906

(d) Other cash payments relating to investing activities

	2014.01-06	2013.01-06
Providing loans to related parties and third parties	162,040	—

(e) Other cash receipts relating to financing activities

	2014.01-06	2013.01-06
Reduction of restricted deposits	—	196,872

(f) Other cash payments relating to financing activities

	2014.01-06	2013.01-06
Finance lease payments	11,000	6,394
Trading with the minority shareholders	—	122,532
Increase in restricted deposits	1,029,709	—
	1,040,709	128,926

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

62. Supplementary information to the cash flow statement

(a) Supplementary information to the cash flow statement

(i) Reconciliation of net profit to cash flows from operation activities

	2014.01-06	2013.01-06
Net profit	1,961,506	1,357,305
Add: Provision for impairment losses of assets	1,094,026	596,588
Depreciation of fixed assets and amortisation of investment properties	1,322,310	1,261,054
Amortisation of intangible assets	158,898	159,844
Amortisation of long-term prepaid expenses	26,838	26,104
Gains on disposal of fixed assets, intangible assets and other long-term assets	(5,946)	(158,693)
Losses on written-off of fixed assets	1	189
Gains on changes in fair values	5,244	1,838
Financial expenses	2,996,088	2,607,447
Gains arising from investments	11,061	(528,534)
Increase in deferred tax assets	19,771	(92,008)
Increase in deferred tax liabilities	(66,251)	20,553
Increase in inventories	(6,316,970)	(5,657,190)
Increase in receivables from operating activities	(14,793,760)	(12,329,023)
Increase in payables from operating activities	7,854,648	8,626,741
Net cash flows from operating activities	(5,732,536)	(4,107,785)

(ii) Significant non-cash investing and financing activities:

	2014.01-06	2013.01-06
Conversion of dividends payable into capital	—	13,333

(iii) Net changes in cash and cash equivalents:

	2014.01-06	2013.01-06
Closing balance of cash	23,508,980	22,503,288
Less: Opening balance of cash	31,242,554	32,084,175
Net decrease in cash and cash equivalents	(7,733,574)	(9,580,887)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

62. Supplementary information to the cash flow statement (Continued)

(b) Composition of cash and cash equivalents

	2014.06.30	2013.12.31
Cash	23,508,980	31,242,554
Including: Cash on hand	30,501	31,553
Bank deposits without restriction	21,955,526	30,099,247
Other monetary funds without restriction	1,522,953	1,111,754
Cash equivalents	—	—
Including: Investments in debt securities due within three months	—	—
Closing balance of cash and cash equivalents	23,508,980	31,242,554

63. Net current assets and total assets less current liabilities

	2014.06.30 Consolidated (Unaudited)	2013.12.31 Consolidated (Audited)	2014.06.30 Company (Unaudited)	2013.12.31 Company (Audited)
Current assets	246,413,531	239,954,194	40,675,299	42,771,938
Less: Current liabilities	224,850,645	219,044,859	42,045,847	44,400,831
Net current assets (liabilities)	21,562,886	20,909,335	(1,370,548)	(1,628,893)
Total Assets	334,344,903	322,884,439	119,093,325	119,879,179
Less: Current liabilities	224,850,645	219,044,859	42,045,847	44,400,831
Total assets less current liabilities	109,494,258	103,839,580	77,047,478	75,478,348

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VI. SEGMENT INFORMATION

The management of the Group respectively took the performance evaluation of engineering and construction, equipment manufacturing, resources development and property development. Further evaluation of business performance of the sectors above in different geographical locations has also been made.

Transaction price amongst operating segments is set by reference to the price that would be charged by an unrelated third party in a comparable transaction. Indirect expenses are allocated among segments according to their sales proportion.

(a) As at 30 June 2014 and for period then ended:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Unallocated amounts	Elimination between segments	Total
Operating income	80,747,409	4,215,599	1,940,565	9,283,858	1,469,568	—	(1,490,447)	96,166,552
Including: Revenue from external customers	79,908,341	3,844,317	1,848,007	9,230,985	1,334,902	—	—	96,166,552
Revenue from inter-segments	839,068	371,282	92,558	52,873	134,666	—	(1,490,447)	—
Operating profit/(loss)	2,244,439	(191,988)	(577,824)	1,210,385	117,265	(74,672)	(6,478)	2,721,127
Including: Interest income	549,794	44,285	(155,685)	70,932	317,624	—	(250,601)	576,349
Interest expense	1,753,321	104,790	126,562	98,516	273,167	—	(250,601)	2,105,755
Investment income/(loss) from associates and joint ventures	(21,592)	(97,136)	—	(5,895)	381	—	—	(124,242)
Non-operating income	231,480	55,375	22,754	247,942	3,626	—	—	561,177
Non-operating expenses	91,930	3,687	6,812	1,957	305	—	—	104,691
Total profit/(loss)	2,383,989	(140,300)	(561,882)	1,456,370	120,586	(74,672)	(6,478)	3,177,613
Income tax expense	754,753	35,868	(9,841)	402,827	32,500	—	—	1,216,107
Net profit/(loss)	1,629,236	(176,168)	(552,041)	1,053,543	88,086	(74,672)	(6,478)	1,961,506
Segment assets	205,512,422	19,033,055	21,904,316	103,968,366	31,199,743	2,974,706	(50,247,705)	334,344,903
Including: Long-term equity investments in associates and joint ventures	3,457,020	—	—	1,694,635	3,814	—	—	5,155,469
Non-current assets	24,395,684	6,308,190	18,290,692	4,076,908	12,997,678	—	(7,785,397)	58,283,755
Segment liabilities	194,353,788	12,211,781	20,037,141	83,301,271	24,324,840	483,415	(56,050,589)	278,661,647
Assets impairment losses	897,154	25,784	233,074	(3,664)	(58,322)	—	—	1,094,026
Depreciation and amortization expenses	761,943	185,227	489,620	32,734	38,522	—	—	1,508,046
Non-cash expenses other than depreciation and amortization	873,291	10,569	190,863	(4,772)	(54,702)	—	—	1,015,249
Increase in other non-current assets other than long-term equity investments	752,653	39,630	355,521	122,475	38,470	—	—	1,308,749

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VI. SEGMENT INFORMATION (Continued)

(b) As at 30 June 2013 and for the period then ended:

	Engineering and construction	Equipment manufacturing	Resources development	Property development	Others	Unallocated amounts	Elimination between segments	Total
Operating income	75,619,715	4,562,878	1,364,295	9,411,465	1,348,385	—	(1,153,528)	91,153,210
Including: Revenue from external customers	74,821,093	4,353,717	1,224,318	9,411,465	1,342,617	—	—	91,153,210
Revenue from inter-segments	798,622	209,161	139,977	—	5,768	—	(1,153,528)	—
Operating profit/(loss)	2,888,340	(350,509)	(1,454,602)	942,634	107,462	(50,637)	(83,752)	1,998,936
Including: Interest income	483,250	21,616	6,864	178,179	323,530	—	(257,045)	756,394
Interest expense	1,740,619	140,132	339,981	126,668	259,490	—	(257,045)	2,349,845
Investment income/(loss) from associates and joint ventures	3,476	—	—	(4,336)	—	—	—	(860)
Non-operating income	331,051	83,727	44,419	4,816	5,448	—	—	469,461
Non-operating expenses	60,189	3,755	293	6,627	124	—	—	70,988
Total profit/(loss)	3,159,202	(270,537)	(1,410,476)	940,823	112,786	(50,637)	(83,752)	2,397,409
Income tax expense	723,379	19,372	1,158	256,873	39,322	—	—	1,040,104
Net profit/(loss)	2,435,823	(289,909)	(1,411,634)	683,950	73,464	(50,637)	(83,752)	1,357,305
Segment assets	214,730,992	17,676,890	22,572,370	103,759,707	21,043,452	2,987,346	(59,886,318)	322,884,439
Including: Long-term equity investment in associates and joint ventures	3,459,577	—	—	673,845	—	—	—	4,133,422
Non-current assets	26,346,803	6,749,335	18,971,826	2,399,096	10,137,957	—	(6,405,206)	58,199,811
Segment liabilities	190,910,548	10,965,104	19,924,157	86,376,357	17,843,577	562,091	(58,762,614)	267,819,220
Assets impairment losses	411,665	49,883	207,593	(42,897)	(29,656)	—	—	596,588
Depreciation and amortization expenses	750,177	287,008	359,073	27,457	23,287	—	—	1,447,002
Non-cash expenses other than depreciation and amortization	392,265	49,883	207,593	(42,897)	(34,941)	—	—	571,903
Increase in other non-current assets other than long-term equity investments	786,976	319,642	293,886	28,249	37,099	—	—	1,465,852

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VI. SEGMENT INFORMATION (Continued)

An analysis of revenue from external customers and non-current assets, other than financial assets and deferred tax assets, in the PRC and other countries/regions is analysed as follows:

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Revenue from external customers		
China	88,189,598	86,137,492
Other countries / regions	7,976,954	5,015,718
	96,166,552	91,153,210
Non-current assets	2014.06.30	2013.12.31
China	43,472,937	43,319,174
Other countries / regions	14,810,818	14,880,637
	58,283,755	58,199,811

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS

1. Company

(a) General information

Name of company	Form of corporation	Place of registration	Legal representative	Nature of business	Company code
China Metallurgical Group Corporation	wholly state-owned enterprise	Beijing	Guo Wen Qing	Engineering construction, resources development, equipment manufacturing, property development and others	100000948

SASAC is the ultimate controlling party of the Group.

(b) Registered capital and its movements

	2014.01.01	Increase	Decrease	2014.06.30
Metallurgical Corporation of China Corporation	8,538,556	—	—	8,538,556

(c) Percentage of ownership interest and voting rights in the Company

	2014.06.30		2013.12.31	
	Percentage of ownership interest in the Company	Percentage of voting rights in the Company	Percentage of ownership interest in the Company	Percentage of voting rights in the Company
Metallurgical Corporation of China Corporation	64.18%	64.18%	64.18%	64.18%

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in note (IV).

3. Principal joint ventures and associates of the Group

Details of the principal joint ventures and associates of the Group are set out in note (V) 15.

4. Other related parties of the Company

Name of other related parties	Relationship with the Group	Company code
Beijing China Metallurgical Construction Taxi Company	Subsidiary of parent company	101760754
MCC Huludao Nonferrous Metals Group Co., Ltd.	Subsidiary of parent company	744332913
MCC Asset Management Co., Ltd.	Subsidiary of parent company	717849650
Shanghai MCC Work's Hospital	Subsidiary of parent company	834348329
Subsidiaries of MCC Huludao Nonferrous Metals Group Co., Ltd.:		
Tibet Huaxia Mining Co., Ltd.	Under common control	741912920
Huludao Zinc Industry Co., Ltd.	Under common control	12076702X
Huludao East Copper Industry Co., Ltd.	Under common control	604330174
MCC Huludao Nonferrous Import and Export Co., Ltd.	Under common control	120766705
Huludao Nonferrous Metallurgical Design Institute Co., Ltd.	Under common control	732306945
Subsidiaries of MCC Asset Management Co., Ltd.:		
Beijing East Star Metallurgical New Technique Development Company	Under common control	101788212
MCC Nongyin Guangde Asset Management Co., Ltd.	Under common control	85210719
Subsidiaries of Beijing East Star Metallurgical New Technique Development Company:		
Handan Huaye Property Services Co., Ltd.	Under common control	777741211
Handan Huaye New Type Building Material Co., Ltd.	Under common control	80552774X
Handan equipment Leasing Co., Ltd.	Under common control	777708518
Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	Under common control	728046204
Hainan Ludan Real Estate Development Co., Ltd.	Under common control	28400490X
Shahe Huagang Leasing Co., Ltd.	Under common control	776177647
Chengdu Hongqiang Property Management Co., Ltd.	Under common control	768634609

Note: Tibet Huaxia Mining Co., Ltd. was disposed of in February 2014.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions

(a) Purchase of goods and receipt of services

Related parties	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2014		Six months ended 30 June 2013	
			Amount	As a percentage of total similar transactions of the Group (%)	Amount	As a percentage of total similar transactions of the Group (%)
Total			157,760	0.16	22,164	0.03
Including: With companies under common control			964	0.001	2,444	0.003
Beijing East Star Metallurgical New Technique Development Company	Purchase of goods and receiving services	Agreed pricing	832	0.001	2,444	0.003
Beijing China Metallurgical Construction Taxi Company	Receiving services	Agreed pricing	132	0.0001	—	—
Including: With joint ventures and associates			156,796	0.16	19,720	0.03
Shanghai Zhong Ye Xiangteng Investment Company Limited	Purchase of fixed assets	Agreed pricing	99,110	0.10	—	—
Tianjin Zhongji Equipment Manufacture Co., Ltd.	Purchase of goods and receiving services	Agreed pricing	37,333	0.04	—	—
Shigang Jingcheng Equipment Technology Co., Ltd.	Purchase of goods and receiving services	Agreed pricing	17,241	0.02	—	—
Tianjin SERI Machinery Equipment Co., Ltd.	Purchase of goods and receiving services	Agreed pricing	1,556	0.002	—	—
Shanghai Tongji Baoye Construction Robot Co., Ltd.	Purchase of goods and receiving services	Agreed pricing	915	0.001	50	0.00006
Shanghai Yuepu South Concrete Co., Ltd. (formerly known as Shanghai Baosteel MCC 13 Qianfan Construction Material Co., Ltd.)	Purchase of goods and receiving services	Agreed pricing	641	0.001	4,115	0.005
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	Purchase of goods and receiving services	Agreed pricing	—	—	14,909	0.02
Wuhan Zhonghe Engineering Quality Detection Co., Ltd.	Purchase of goods and receiving services	Agreed pricing	—	—	646	0.0008

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(b) Sales of goods and provision of services

Related parties	Related party transaction	Pricing and decision making procedure	Six months ended 30 June 2014		Six months ended 30 June 2013	
			Amount	As a percentage of total similar transactions of the Group (%)	Amount	As a percentage of total similar transactions of the Group (%)
Total			722,050	0.86	718,286	0.80
Including: With companies under common control			17	0.00002	4,381	0.005
Beijing East Star Metallurgical New Technique Development Company	Selling goods and providing services	Agreed pricing	17	0.00002	18	0.00002
Shanghai MCC Work's Hospital	Selling goods and providing services	Agreed pricing	—	—	1,691	0.002
MCC Huludao Nonferrous Metals Group Co., Ltd.	Selling goods and providing services	Agreed pricing	—	2,672	0.003	
Including: With the parent company of the Group:			—	—	51,522	0.06
China Metallurgical Group Corporation	Selling goods and providing services	Agreed pricing	—	—	51,522	0.06
Including: With the joint ventures and associates:			722,033	0.86	662,383	0.73
Wuhan Zhong Yi Investment Construction Company Limited	Selling goods and providing services	Agreed pricing	441,548	0.52	—	—
MCC Suzhou SUMA Construction Development Co., Ltd.	Selling goods and providing services	Agreed pricing	159,607	0.19	—	—
Maanshan MCC Economic Development Company Limited	Selling goods and providing services	Agreed pricing	64,504	0.08	158,002	0.17
Baotou MCC Real Estate Co., Ltd.	Selling goods and providing services	Agreed pricing	48,644	0.06	—	—
Tangshan Caofeidian 22nd Metallurgical Construction Technique Corporation Limited	Selling goods and providing services	Agreed pricing	7,721	0.01	—	—
Tianjin SERI Machinery Equipment Corporation Ltd.	Selling goods and providing services	Agreed pricing	9	0.00001	—	—
Zhuhai Kaduhajun Real Estate Development Co., Ltd.	Selling goods and providing services	Agreed pricing	—	—	422,755	0.47
Shanghai Zhong Ye Xiangteng Investment Company Limited	Selling goods and providing services	Agreed pricing	—	—	52,280	0.06
Shanghai ZhiHu Real Estate Development Co., Ltd.	Selling goods and providing services	Agreed pricing	—	—	29,346	0.03

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(c) Lease

Leases where a group entity is the lessor:

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognised in the current period
China Metallurgical Group Corporation	Metallurgical Corporation of China Ltd.	Buildings & structures	01/01/2014	31/12/2015	Leasing Contract	9,798
China Metallurgical Group Corporation	MCC Communication Engineering Technology Co., Ltd.	Buildings & structures	01/01/2014	31/12/2015	Leasing Contract	3,201
China Metallurgical Group Corporation	MCC Tongsin Resources Ltd.	Buildings & structures	01/01/2013	31/12/2015	Leasing Contract	2,732
China Metallurgical Group Corporation	MCC Finance Corporation Ltd.	Buildings & structures	01/01/2013	31/12/2015	Leasing Contract	2,395
China Metallurgical Group Corporation	MCC Overseas Ltd.	Buildings & structures	01/01/2013	31/12/2015	Leasing Contract	2,013
China Metallurgical Group Corporation	MCC International Engineering Group Co., Ltd.	Buildings & structures	01/01/2013	31/12/2015	Leasing Contract	1,989
China Metallurgical Group Corporation	MCC Lianzhu Technique Engineering Co., Ltd.	Buildings & structures	01/01/2014	31/12/2014	Leasing Contract	753
China Metallurgical Group Corporation	MCC Seawater Desalination Investment Co., Ltd.	Buildings & structures	01/01/2014	31/12/2015	Leasing Contract	709
China Metallurgical Group Corporation	MCC Australia Holding Pty Ltd.	Buildings & structures	01/01/2013	31/12/2015	Leasing Contract	250
China Metallurgical Group Corporation	Beris Group Corporation	Buildings & structures	01/01/2014	31/12/2014	Leasing Contract	129
China Metallurgical Group Corporation	Beijing MCC Equipment Research & Design Corporation Ltd.	Buildings & structures	01/01/2014	31/12/1015	Leasing Contract	68
						24,037

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(c) Lease (Continued)

As Lessee:

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognised in the current period
Beijing East Star Metallurgical New Technique Development Company	MCC TianGong Group Corporation Limited	Buildings & structures	01/01/2014	30/06/2014	Leasing Contract	1,571
Beijing East Star Metallurgical New Technique Development Company	China MCC 5 Group Co., Ltd.	Buildings & structures		Unfixed lease	Previous Contract	1,075
Beijing East Star Metallurgical New Technique Development Company	China Huaye Group Co., Ltd.	Buildings, structures & equipments	01/01/2014	31/12/2014	Leasing Contract	574
Beijing East Star Metallurgical New Technique Development Company	China 22MCC Group Co., Ltd.	Buildings & structures	01/01/2014	31/12/2018	Leasing Contract	362
Beijing East Star Metallurgical New Technique Development Company	China ENFI Engineering Co., Ltd.	Buildings & structures		Unfixed lease	Previous Contract	266
Beijing East Star Metallurgical New Technique Development Company	CISDI Group Corp. Ltd	Buildings & structures	01/01/2014	31/12/2018	Leasing Contract	244
Beijing East Star Metallurgical New Technique Development Company	China First Metallurgical Group Co., Ltd.	Buildings & structures	01/01/2014	31/12/2018	Leasing Contract	237
Beijing East Star Metallurgical New Technique Development Company	China MCC 20 Group Co., Ltd.	Buildings & structures	01/01/2014	31/12/2018	Leasing Contract	229
Beijing East Star Metallurgical New Technique Development Company	Central Research Institute of Building and Construction Co., Ltd., MCC Group	Buildings & structures	01/01/2014	31/12/2018	Leasing Contract	164
Beijing East Star Metallurgical New Technique Development Company	Shanghai Baoye Group Corp., Ltd	Buildings & structures	01/01/2014	31/12/2014	Leasing Contract	80
Beijing East Star Metallurgical New Technique Development Company	Beris Group Corporation	Buildings & structures	01/01/2014	31/12/2014	Leasing Contract	11
						4,813

As Lessor

Name of lessor	Name of lessee	Type of leased assets	Commencement date of leases	Expiration date of leases	Basis of determining the lease income	Lease income recognised in the current period
China Huaye Group Co., Ltd.	Beijing East Star Metallurgical New Technique Development Company	Buildings & structures	01/01/2014	30/09/2015	Leasing Contract	425
Beijing MCC Equipment Research & Design Corporation Ltd.	Beijing China Metallurgical Construction Taxi Company	Buildings & structures	01/07/2013	30/06/2014	Leasing Contract	55
China Huaye Group Co., Ltd.	Beijing East Star Metallurgical New Technique Development Company	Sites	01/01/2014	30/06/2015	Leasing Contract	20
						500

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(d) Receive guarantees

Guarantor	Guaranteed party	Currency	Guaranteed amount
MCC Holding (Hong Kong) Corporation Limited	China Metallurgical Group Corporation	USD	1,250

(e) Grant guarantees

Guarantor	Guaranteed party	Currency	Guaranteed balance	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
MCC Capital Engineering & Research Incorporation Limited	Shigang Jingcheng Equipment Technology Co., Ltd.	RMB	354,000	354,000	18/06/2009	02/12/2017	No
MCC Capital Engineering & Research Incorporation Limited	Shigang Jingcheng Equipment Technology Co., Ltd.	RMB	247,800	247,800	02/02/2010	02/12/2017	No
MCC Capital Engineering & Research Incorporation Limited	Shigang Jingcheng Equipment Technology Co., Ltd.	RMB	166,690	166,690	14/01/2009	14/07/2015	No

(f) Loans to related parties

Related party	2014.01.01-2014.06.30	2013.01.01-2013.06.30
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	—	95,000

(g) Providing funds to related parties

Related party	2014.01.01-2014.06.30	2013.01.01-2013.06.30
Tianjin Tuanbo Urban Development Co., Ltd.	260,000	—
Wuhan Zhong Yi Investment Construction Company Limited	215,000	—
Beijing Xinghua Zhiben Investment Co., Ltd.	46,611	—
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	15	67,000
	521,626	67,000

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(h) Interest income on loans and funds to related parties

Related party	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Zuhai Kaduhaijun Real Estate Development Co., Ltd.	40,918	80,785
Tianjin Tuanbo Urban Development Co., Ltd.	19,067	—
Baotou MCC Real Estate Co., Ltd.	18,781	7,925
Zhong Ye(Fujian) Real Estate Development Co., Ltd.	13,908	7,914
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	4,960	2,854
Mudanjiang MCC Real Estate Co., Ltd.	2,669	2,669
Wuhan Zhong Yi Investment Construction Company Limited	2,194	—
Beijing Xinghua Zhiben Investment Co., Ltd.	1,631	—
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	1,155	2,081
	105,283	104,228

(i) Loans from related parties

Related party	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Metallurgical Corporation of China LTD.	—	78,980

(j) Interest expense on loans from related parties

Related party	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Metallurgical Corporation of China LTD.	1,719	812

(k) Emoluments of key management

Item	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Emoluments of key management	2,086	2,344

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties

	2014.06.30			2013.12.31		
	Carrying amount	As a percentage of accounts receivable of the Group (%)	Bad debt provision	Carrying amount	As a percentage of accounts receivable of the Group (%)	Bad debt provision
Accounts receivable						
Wuhan Zhong Yi Investment Construction Company Limited	495,776	0.79	2,479	116,000	0.20	580
Shigang Jingcheng Equipment Technology Co., Ltd.	276,887	0.44	60,060	273,010	0.47	45,896
Maanshan MCC Economic Development Company Limited	181,136	0.29	—	128,869	0.22	—
Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	178,607	0.29	2,661	215,130	0.37	4,802
MCC Suzhou SUMA Construction Development Co., Ltd.	170,270	0.27	—	56,915	0.10	—
Tangshan Caofeidian 22nd Metallurgical Construction Technique Corporation Limited	156,217	0.25	21,150	148,496	0.25	20,810
WISDRI(Xinyu) Cold Processing Engineering Co., Ltd.	145,310	0.23	43,107	145,310	0.25	43,107
Tianjin MCC Xinhua Real Estate Co., Ltd	49,977	0.08	2,655	92,595	0.16	4,773
Tibet Huaxia Mining Co., Ltd.	48,812	0.08	48,812	48,812	0.08	48,812
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	42,853	0.07	—	52,068	0.09	464
Tianjin Tuanbo Urban Development Co., Ltd. (ii)	29,325	0.05	—	29,325	0.05	—
Shanghai United Automobile Road Construction Development Co., Ltd.	22,735	0.04	2,787	15,885	0.03	1,589
Tianjin Zhongji Equipment Manufacture Co., Ltd.	19,120	0.03	956	23,397	0.04	1,147
Shanghai MCC Work's Hospital	14,946	0.02	—	14,946	0.03	—
MCC East Gangneng Heavy Industry (Zhuhai) Co., Ltd.	13,657	0.02	13,657	13,657	0.02	13,657
Shanghai Zhong Ye Xiangqi Investment Company Limited	7,414	0.01	—	8,564	0.01	—
MCC Huludao Nonferrous Metals Group Co., Ltd.	3,504	0.01	3,504	61,723	0.11	61,504
Tianjin SERI Machinery Equipment Corporation Ltd.	1	—	—	—	—	—
Huludao Zinc Industry Co.,Ltd	—	—	—	7,810	0.01	—
Shanghai Zhong Ye Xiangteng Investment Company Limited	—	—	—	2,668	0.004	133
	1,856,547	2.97	201,828	1,455,180	2.49	247,274

Accounts receivable from related parties are interest-free, unsecured, repayable on demand or payable according to the term set out in the respective agreements.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

	2014.06.30			2013.12.31		
	Carrying amount	As a percentage of total receivables of the Group (%)	Bad debt provision	Carrying amount	As a percentage of total receivables of the Group (%)	Bad debt provision
Other receivable						
Zhuhai Kaduhaijun Real Estate Development Co., Ltd.	818,003	3.69	—	926,935	6.02	—
Tianjin Tuanbo Urban Development Co., Ltd. (ii)	670,594	3.03	—	388,955	2.53	—
Baotou MCC Real Estate Co., Ltd.	401,766	1.81	20,088	406,655	2.64	20,340
Wuhan Zhong Yi Investment Construction Company Limited	217,688	0.98	—	—	—	—
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	182,898	0.83	—	177,875	1.16	—
Shigang Jingcheng Equipment Technology Co., Ltd.	149,322	0.67	13,962	151,322	0.98	12,100
Mudanjiang MCC Real Estate Co., Ltd.	91,316	0.41	—	87,444	0.57	—
Tangshan Caofeidian 22nd Metallurgical Construction Technique Corporation Limited	83,877	0.38	2	83,798	0.54	581
Shanghai Yuepu South Concrete Co., Ltd. (formerly called:Shanghai Baosteel MCC 13 Qianfan Construction Material Co., Ltd.)	81,841	0.37	20,273	81,841	0.53	15,299
Shanghai United Automobile Road Construction Development Co., Ltd.	78,707	0.36	18	78,380	0.51	63,037
Tangshan Caofeidian 22nd Metallurgical Wanzhu Real Estate Development Co., Ltd.	68,484	0.31	—	83,484	0.54	—
MCC East Gangneng Heavy Industry (Zhuhai) Co., Ltd.	55,548	0.25	55,548	56,398	0.37	56,398
Beijing Xinghua Zhiben Investment Co., Ltd.	48,241	0.22	—	—	—	—
Beijing Age Antai Real Estate Co., Ltd	45,668	0.21	—	—	—	—
MCC Tangshan Fangzhou Real Estate Development Co., Ltd.	41,602	0.19	—	40,432	0.26	—
Tianjin MCC Xinhua Real Estate Co., Ltd	41,485	0.19	2,074	46,195	0.3	2,310
Inner Mongolia Zhongye DeBang Real Estate Co., Ltd	12,475	0.06	4,096	24,829	0.16	2,433
Beiqi Zhongye HengSheng Real Estate Co., Ltd	342	0.002	—	—	—	—
Zhong Ye(Fujian) Real Estate Development Co., Ltd.	—	—	—	170,297	1.11	30,577
Tianjin Zhongji Equipment Manufacture Co., Ltd.	—	—	—	438	0.001	22
Shanghai Haijin Real Estate Development Co., Ltd	—	—	—	219	0.001	—
Shanghai MCC Work's Hospital	—	—	—	10	—	—
	3,089,857	13.96	116,061	2,805,507	18.22	203,097

As at 31 December 2014, other receivables included unsecured and non-guaranteed loans and funding to associates and joint ventures of RMB1,419,478,000 (as at 31 December 2013: RMB1,181,971,000), bearing interest at rates ranging from 5.60% to 14.00% per annum (as at 31 December 2013: 5.60% to 12.00% per annum).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total prepayments of the Group (%)	Carrying amount	As a percentage of total prepayments of the Group (%)
Prepayments				
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	22,125	0.14	—	—
Shigang Jingcheng Equipment Technology Co., Ltd.	14,244	0.09	15,639	0.1
Tianjin SERI Machinery Equipment Corporation Ltd.	102	0.001	102	0.0006
	36,471	0.23	15,741	0.10

	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total dividends receivables of the Group (%)	Carrying amount	As a percentage of total dividends receivables of the Group (%)
Dividends receivable				
Wuhan Zhonghe Engineering Technique Co., Ltd.	360	0.35	360	56.07

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total long-term accounts receivable of the Group (%)	Carrying amount	As a percentage of total long-term accounts receivable of the Group (%)
Long-term accounts receivable				
Shigang Jingcheng Equipment Technology Co., Ltd.	424,723	1.68	410,236	2.01

	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total non-current assets due within one year of the Group (%)	Carrying amount	As a percentage of total non-current assets due within one year of the Group (%)
Non-current assets due within one year				
Shigang Jingcheng Equipment Technology Co., Ltd.	452,016	11.59	438,207	10.03

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total accounts payable of the Group (%)	Carrying amount	As a percentage of total accounts payable of the Group (%)
Accounts payable				
Tianjin Zhongji Equipment Manufacture Co., Ltd.	36,231	0.05	8,688	0.01
Shigang Jingcheng Equipment Technology Co., Ltd.	23,455	0.03	18,789	0.03
Tianjin SERI Machinery Equipment Corporation Ltd.	15,589	0.02	46,364	0.07
Shanghai Yuepu South Concrete Co., Ltd. (formerly called:Shanghai Baosteel MCC 13 Qianfan Construction Material Co., Ltd.)	12,690	0.02	12,303	0.02
Handan equipment leasing Co.,Ltd	5,527	0.01	6,134	0.009
Shahe Huagang leasing Co.,Ltd	2,519	0.003	2,540	0.004
Handan Huaye property service Co., Ltd.	1,722	0.002	1,713	0.002
Wuhan Zhonghe Engineering Technique Co., Ltd.	765	0.001	765	0.001
Handan Huaye New Type Building Material Co.,Ltd	601	0.001	1,116	0.002
Shanghai Tongji Baoye Construction Robot Co., Ltd.	400	0.001	—	—
Beijing East Star Metallurgical New Technique Development Company	80	0.0001	—	—
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	37	0.0001	37	0.0001
Shanghai MCC Work's Hospital	—	—	419	0.0006
	99,616	0.14	98,868	0.15

Accounts payable are interest-free, unsecured and repayable on demand or according to the term set out in the respective agreements.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total other payables of the Group (%)	Carrying amount	As a percentage of total other payables of the Group (%)
Other payables				
MCC Huludao Nonferrous Metals Group Co., Ltd.	368,471	1.86	368,471	1.86
Shanghai Zhong Ye Xiangteng Investment Company Limited	109,736	0.55	17,225	0.09
China Metallurgical Group Corporation Beijing East Star Metallurgical New Technique Development Company	91,905	0.46	87,676	0.44
Shanghai Zhong Ye Xiangqi Investment Company Limited	51,397	0.26	50,516	0.26
Chengdu MCC 5 Rongshen Real Estate Development Co., Ltd.	20,659	0.1	20,721	0.1
Hainan Ludan Real Estate Development Co., Ltd.	5,891	0.03	5,891	0.03
Shigang Jingcheng Equipment Technology Co., Ltd.	5,185	0.03	5,172	0.03
MCC Suzhou SUMA Construction Development Co., Ltd.	3,190	0.02	3,190	0.01
Handan Huaye New Type Building Material Co.,Ltd	1,800	0.01	—	—
Handan Huaye property service Co., Ltd.	1,702	0.01	844	0.004
Maanshan MCC Economic Development Company Limited	1,415	0.01	1,492	0.01
Tianjin Zhongji Equipment Manufacture Co., Ltd.	900	0.01	900	0.001
Shahe Huagang leasing Co.,Ltd	181	0.001	—	—
Beijing China Metallurgical Construction Taxi Company	116	0.001	254	0.001
	—	—	102	0.001
	662,548	3.35	562,454	2.83

Other payables are interest-free, unsecured and repayable on demand or according to the term set out in the respective agreements.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

6. Amounts due from/due to related parties (Continued)

	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total receipts in advance of the Group (%)	Carrying amount	As a percentage of total receipts in advance of the Group (%)
Receipts in advance				
Shigang Jingcheng Equipment Technology Co., Ltd.	16,591	0.05	—	—
Handan Huaye property service Co., Ltd.	1,800	0.01	1,800	0.005
Tangshan Caofeidian 22nd Metallurgical Construction Technique Corporation Limited	830	0.002	—	—
MCC Capital (Xiangtan) Heavy Industrial Equipment Co., Ltd.	72	0.0002	72	0.0002
	19,293	0.06	1,800	0.005
	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total dividends payable of the Group (%)	Carrying amount	As a percentage of total dividends payable of the Group (%)
Dividends payable				
China Metallurgical Group Corporation	748,172	40.00	—	—
Beijing China Metallurgical Construction Taxi Company	—	—	165	0.03
	2014.06.30		2013.12.31	
	Carrying amount	As a percentage of total long-term payable of the Group (%)	Carrying amount	As a percentage of total long-term payable of the Group (%)
Long-term payable				
China Metallurgical Group Corporation	78,980	21.18	78,980	29.66

Long-term payable represents an entrusted loan obtained from parent company of the Company, bearing interest at a rate of 4.31% per annum with a term of 3 years from 27 March 2013 to 27 March 2016.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

VII. RELATED PARTIES AND TRANSACTIONS (Continued)

7. Commitments with related parties

At the balance sheet date, the Group had the following commitments with related parties:

Lease	2014.06.30	2013.12.31
Leases from		
China Metallurgical Group Corporation	61,139	57,542
Beijing East Star Metallurgical New Technique Development Company	3,585	20
	64,724	57,562

VIII. CONTINGENCIES

1. Pending lawsuits and other legal proceedings

As at 30 June 2014, the Group had significant lawsuits and other legal proceedings of which the Group is a plaintiff amounted to RMB1,405,250,000 and the Group had other significant lawsuits and other legal proceedings of which the Group is a defendant amounted to RMB635,475,000.

The Group has been named in a number of lawsuits and other legal proceedings arising in the ordinary course of business. Provision will be made for the probable losses to the Group on those claims when management can reasonably estimate the outcome of the lawsuits based on management's judgments and legal advice. No provision has been made for the above pending lawsuits since management believes the outflow of resources is not probable. As at 30 June 2014, management has made provision for pending lawsuits of RMB13,770,000, details of which are set out in note V(36)(37).

As at 30 June 2014, out of the above lawsuits that the Group is named as defendant, there is a lawsuit in relation to the final tranche of certain assets purchase with a claim of AUD80 million and related late payment interests. In August 2013, Arbitration Centre in Singapore has ordered the Group to deposit the AUD80 million into an escrow account in the joint names of the Group and claimants which is opened with a major trading bank in Australia. The order does not constitute the final judgement of the disputes between the parties. As at 30 June 2014, the Group has paid the above sum into the escrow account according to the arbitration result. At 11 July 2014, the case was settled between both parties and the settlement agreement was signed. In accordance with the settlement agreement, the Group could withdraw AUD30 million from the escrow account, after deducting related expenses with the remaining balance transferred to the plaintiff's designated bank account. After the signing and execution of the settlement agreement, the arbitration and all the agreements and contracts signed by both parties regards to the project have been terminated. The outcome of the aforesaid settlement did not have any impact on the financial statements of the Group for the current period.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

VIII. CONTINGENCIES (Continued)

2. Provision of guarantees to outsiders

Guarantor	Party being guaranteed	Type of guarantee	Type of responsibility	Guaranteed items	Guaranteed amount
MCC Capital Engineering & Research Incorporation Limited	Shigang Jingcheng Equipment Technology Co.Ltd.	Guarantee	Joint Liability	Borrowing guarantees	768,490
China 22 MCC Group Co. Ltd.	HBIS sijjaying iron ore mine Co. Ltd.	Guarantee	Joint Liability	Borrowing guarantees	80,580
China Huaye Group Co. Ltd.	HBIS sijjaying iron ore mine Co. Ltd.	Guarantee	Joint Liability	Borrowing guarantees	28,761
Mortgage guarantees (note)					2,447,257

Note: The Group's subsidiaries in real estate sector would provide mortgage guarantees to the property purchasers as it is a common practice in real estate industry. Under such arrangements, the period of the guarantees is from the date of the contracts being signed to the date of the legal title of the properties finally being transferred to the purchasers and the certificates could be used as collaterals. The Group considers that the risk related to such guarantees is minor.

IX. COMMITMENTS

1. Significant Commitments

(1) Capital commitments

As at the end of balance sheet date, the Group had capital commitments contracted but not provided in the balance sheet as follows:

	2014.06.30	2013.12.31
Houses, buildings and equipment	25,336,403	25,897,796
Intangible assets	4,468,926	4,507,669
	29,805,329	30,405,465

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

IX. COMMITMENTS (Continued)

1. Significant Commitments (Continued)

(2) Operating lease commitments

Minimum lease payments under non-cancellable operating leases:

	2014.06.30	2013.12.31
Within 1 year	36,834	23,270
1 to 2 years	35,617	31,149
2 to 3 years	4,958	16,988
Over 3 years	35,554	35,171
	112,963	106,578

(3) Fulfilment progress of previous commitments

Capital commitments and operating lease commitments as at 31 December 2013 had been fulfilled according to the commitments.

X. EVENTS AFTER THE BALANCE SHEET DATE

As of the approval date of these financial statements, no significant events took place subsequent to 30 June 2014.

XI. LEASE

The Group obtained fixed assets under finance leases (set out in note (V) 17(c)), and the rental payments to be paid in future are summarized as follows:

	2014.06.30	2013.12.31
Within 1 Year	22,000	22,000
1-2 years	27,800	24,400
2-3 years	28,800	28,800
Over 3 years	40,800	55,200
	119,400	130,400

As at 30 June 2014, unrecognized financing charges were RMB25,418,000 (as at 31 December 2013: RMB30,400,000) (note (V) 41(b)).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner to address the uncertainty of financial market and to reduce the potential negative impact on the operating results of the Group.

1. Market Risk

(a) Foreign exchange risks

The functional currency of a majority of the entities within the Group is RMB and most of the transactions are settled in RMB. However, there are also foreign currency denominated transactions. The Group's exposure to foreign exchange risk relates principally to United States Dollars ("USD"). To monitor the impact of exchange rate fluctuations, the Group continually assesses and monitors its exposure to foreign exchange risk. The Group currently does not have a foreign exchange hedging policy. However, management continuously monitors foreign exchange exposure and will prudently consider hedging significant foreign exchange exposure should the need arising.

The following table details the Group's foreign currencies denominated financial assets and financial liabilities (amount translated into RMB) at 30 June 2014 and 31 December 2013 respectively.

	2014.06.30		
	US Dollar	Other foreign currencies	Total
Foreign currency financial assets:			
Cash and bank balances	3,083,454	1,645,263	4,728,717
Accounts receivable	372,853	1,103,520	1,476,373
Other receivables	471,683	196,912	668,595
Long-term receivables	—	174,192	174,192
	3,927,990	3,119,887	7,047,877
Foreign currency financial liabilities:			
Short-term borrowings	1,118,071	162,262	1,280,333
Accounts payable	191,007	1,209,865	1,400,872
Other payables	5,304	435,989	441,293
Long-term borrowings	3,336,898	2,354,334	5,691,232
Bonds payable	6,017,532	—	6,017,532
	10,668,812	4,162,450	14,831,262

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Market Risk (Continued)

(a) Foreign exchange risks (Continued)

	2013.12.31		
	US Dollar	Other foreign currencies	Total
Foreign currency financial assets:			
Bank and cash	972,637	1,391,142	2,363,779
Accounts receivable	1,834,446	622,023	2,456,469
Other receivables	990,891	462,093	1,452,984
Long-term receivables	—	162,903	162,903
	<u>3,797,974</u>	<u>2,638,161</u>	<u>6,436,135</u>
Foreign currency financial liabilities:			
Short-term borrowings	506,697	68,255	574,952
Accounts payable	2,297,128	847,476	3,144,604
Other payables	1,389,254	1,147,553	2,536,807
Long-term borrowings	2,520,458	2,265,736	4,786,194
Bonds payable	3,031,325	—	3,031,325
	<u>9,744,862</u>	<u>4,329,020</u>	<u>14,073,882</u>

As at 30 June 2014, if RMB had strengthened/weakened by 5% (as at 31 December 2013: 5%) against foreign currencies with all other variables held constant, the profit after tax of the Group for the period ended 30 June 2014 would have been approximately RMB297,266,000 higher/lower (as at 31 December 2013: RMB281,651,000 higher/lower).

(b) Interest rate risk

The Group's exposure to interest rate risk relates principally to its short-term bank borrowings, long-term bank borrowings (including those due within one year), and bonds payable. These interest bearing debts at floating rates expose the Group to cash flow interest-rate risk, and those at fixed rates expose the Group to fair value interest-rate risk. The Group chooses the relative proportion of borrowing contracts with floating rates and those with fixed rates according to current market conditions. As at 30 June 2014, approximately RMB50,674,542,000 (as at 31 December 2013: RMB45,080,598,000) of the Group's debts were short-term borrowings, and out of the long-term interest bearing debts, approximately RMB17,205,825,000 (as at 31 December 2013: RMB18,705,473,000) of the Group's long-term interest bearing debts were at floating rates, and approximately RMB30,046,714,000 (as at 31 December 2013: RMB23,518,635,000) of the Group's long-term interest bearing debts were at fixed rates (notes V (27), (39), (40)).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

1. Market Risk (Continued)

(b) Interest rate risk (Continued)

To monitor the impact of interest rate fluctuations, the Group continually assesses and monitors its exposure to interest rate risk and entered into fixed rate borrowings arrangements. Any rise in interest rate would increase the cost of new borrowing and interest installments of existing loans with floating interest arrangement, and generate significant negative financial effects on the Group's overall financial performance. The management would make timely strategic adjustments according to latest market conditions; the adjustments of reducing interest rate risk may include but not limited to making interest rate swap arrangements. As for the current reporting period and the 2013 financial year, the Group has not involved in any interest rate swap arrangements.

During the current period, if the respective interest rates on RMB-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the period ended 30 June 2014 would have been RMB258,123,000 lower/higher (for the period ended 30 June 2013: RMB239,467,000 lower/ higher).

During the current period, if the interest rates on USD and other currency-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, profit after income tax of the Group for the period ended 30 June 2014 would have been RMB20,904,000 lower/higher (for the period ended 30 June 2013: RMB18,185,000 lower/higher).

2. Credit Risk

The Group classifies and manages the credit risk based on portfolio. The carrying amounts of cash and bank balances, accounts receivable, other receivables and notes receivable, etc.

Substantially all of the Group's cash and bank balances are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group is of the view that there is no significant credit risk and no significant impact on the operating results of the Group due to failure to discharge an obligation by the counterparties.

The Group has policies in place to control the credit risk of accounts receivables, other receivables and bills receivable. The Group also has policies in place to ensure that services are rendered and products are sold to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers according to their financial conditions, the likelihood of obtaining guarantee from the third party, credit history and others such as the current market conditions. The Group regularly monitors its customers' credit history, and for customers with bad credit history, the Group shall issue reminder notices, shorten or cancel the credit period to make sure that the Group's overall credit risk is under control.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3. Liquidity Risk

Subsidiaries of the Group take responsibility of their own cash flow forecast. On the basis of summarizing cash flow forecasts from subsidiaries, the fund department at the headquarters continuously monitors both short-term and long-term fund demands on the Group level in order to obtain adequate cash reserve and realisable negotiable securities. Meanwhile, the fund department monitors whether the forecast complies with loan agreements and gains commitment and support of adequate expendable fund from major financial institutions to meet both short-term and long-term fund demands.

Analysis of the maturity profile of financial assets and financial liabilities of the Group based on the undiscounted remaining contractual obligations as at 30 June 2014 and as at 31 December 2013 are set out as follows:

	2014.06.30				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Financial assets:					
Cash and bank balances	28,038,785	—	—	—	28,038,785
Notes receivable	9,897,657	—	—	—	9,897,657
Accounts receivable	56,060,666	—	—	—	56,060,666
Interest receivables	26,401	—	—	—	26,401
Dividends receivable	101,778	—	—	—	101,778
Other receivables	19,650,937	—	—	—	19,650,937
Available-for-sale financial assets	—	39,100	—	—	39,100
Held-to-maturity investments	—	—	20	—	20
Long-term receivables	8,305,197	11,341,882	9,289,372	251,427	29,187,878
	122,081,421	11,380,982	9,289,392	251,427	143,003,222

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3. Liquidity Risk (Continued)

	2014.06.30				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Financial liabilities:					
Short-term borrowings	53,760,574	—	—	—	53,760,574
Notes payable	12,163,055	—	—	—	12,163,055
Accounts payable	73,646,921	—	—	—	73,646,921
Employee benefits	2,104,985	—	—	—	2,104,985
Interest payables	1,238,822	—	—	—	1,238,822
Dividends payable	1,870,554	—	—	—	1,870,554
Other payables	19,829,495	—	—	—	19,829,495
Other current liabilities	11,294,440	—	—	—	11,294,440
Long-term borrowings	12,423,789	8,866,846	12,092,281	6,244,083	39,626,999
Bonds payable	1,105,170	5,791,070	12,141,030	11,048,000	30,085,270
Long-term payables	119,572	198,347	150,482	17,382	485,783
External guarantee (Excluding real estate bank mortgage guarantee)	877,831	—	—	—	877,831
	190,435,208	14,856,263	24,383,793	17,309,465	246,984,729

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

3. Liquidity Risk (Continued)

	2013.12.31				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Financial assets:					
Cash and bank balances	33,585,579	—	—	—	33,585,579
Notes receivable	11,141,096	—	—	—	11,141,096
Accounts receivable	52,597,630	—	—	—	52,597,630
Interest receivables	11,679	—	—	—	11,679
Dividends receivable	642	—	—	—	642
Other receivables	13,517,463	—	—	—	13,517,463
Available-for-sale financial assets	—	28,479	—	—	28,479
Held-to-maturity investments	—	—	20	—	20
Long-term receivables	4,369,433	700,944	19,692,696	—	24,763,073
	115,223,522	729,423	19,692,716	—	135,645,661
Financial liabilities:					
Short-term borrowings	47,604,090	—	—	—	47,604,090
Notes payable	7,610,246	—	—	—	7,610,246
Accounts payable	70,186,463	—	—	—	70,186,463
Employee benefits	1,960,291	—	—	—	1,960,291
Interest payables	976,378	—	—	—	976,378
Dividends payable	798,649	—	—	—	798,649
Other payables	19,793,109	—	—	—	19,793,109
Other current liabilities	19,619,156	—	—	—	19,619,156
Long-term borrowings	11,919,463	20,835,374	7,880,426	7,554,952	48,190,215
Bonds payable	268,261	5,687,417	9,046,677	11,018,000	26,020,355
Long-term payables	112,530	115,106	104,343	46,844	378,823
External guarantee (Excluding real estate bank mortgage guarantee)	968,531	—	—	—	968,531
	181,817,167	26,637,897	17,031,446	18,619,796	244,106,306

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

4. Fair Value

(a) Financial instruments not stated at fair value

Accounts receivable, other receivables, long-term receivables, held-to-maturity investments, short-term borrowings, accounts payable, other payables, long-term borrowings, bonds payable and long-term payables are included in the financial assets/liabilities not stated at fair value.

The Group considers that the fair value of its unlisted equity investments in available-for-sale financial assets cannot be measured reliably since there is no active market to trade such investments. Therefore the Group measures the investments at cost minus provisions method.

Except for the items listed in the table below, the Group considers that the fair value of the financial assets and liabilities measured at amortized cost method is approximate to their carrying amounts.

	2014.06.30		2013.12.31	
	Carrying amounts	Fair values	Carrying amounts	Fair values
Long-term borrowings at fixed interest rate	6,406,539	6,353,598	2,912,572	2,872,749
Bonds payable	23,640,175	24,170,838	20,606,063	21,188,078

(b) Financial instruments at fair value

The framework uses 3-level fair value hierarchy to reflect the level of judgment involved in estimating fair values. The hierarchy is broken down into three levels:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2).

Inputs for the asset or liability that are not based on observable market data (level 3).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XII. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

4. Fair Value (Continued)

(b) Financial instruments at fair value (Continued)

The following table presents the Group's assets that are measured at fair value as at 30 June 2014:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Held-for-trading financial assets:				
Derivative financial assets	—	35,565	—	35,565
Held-for-trading equity instrument investments	752	—	—	752
Available-for-sale financial assets:				
Available-for-sale equity instruments	288,460	—	—	288,460
Others	—	39,100	—	39,100
	289,212	74,665	—	363,877

The following table presents the Group's assets that are measured at fair value as at 31 December 2013:

	Level 1	Level 2	Level 3	Total
Financial assets:				
Held-for-trading financial assets:				
Derivative financial assets	—	40,969	—	40,969
Held-for-trading equity instrument investments	591	—	—	591
Available-for-sale financial assets:				
Available-for-sale equity instruments	282,798	—	—	282,798
Others	—	28,479	—	28,479
	283,389	69,448	—	352,837

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XIII. ASSETS AND LIABILITIES AT FAIR VALUE

	2013.12.31	2014.06.30	Gains or losses from changes in fair values for the current period	Accumulated fair value changes included in equity	Impairment provision in the current period
Financial assets:					
Held-for-trading financial assets	41,560	36,317	(5,244)	—	—
Available-for-sale financial assets	311,277	327,560	—	180,254	—
	352,837	363,877	(5,244)	180,254	—

XIV. FOREIGN CURRENCY DENOMINATED FINANCIAL ASSETS AND LIABILITIES

	2013.12.31	2014.06.30	Gains or losses from changes in fair values for the current period	Accumulated fair value changes included in equity	Impairment provision in the current period
Financial assets:					
Cash and bank balances	2,363,779	4,728,717	—	—	—
Financial assets:					
Loans and receivables	4,072,356	2,319,160	—	—	—
Financial liabilities	14,073,882	14,831,262	—	—	—

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

	2014.06.30	2013.12.31
Accounts receivable	411,146	817,872
Less: Provision for bad debts	115,799	115,799
	295,347	702,073

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(a) Aging analysis of accounts receivable were as follows:

Aging	2014.06.30	2013.12.31
Within 1 year	3,490	96,067
1 to 2 years	126,631	349,101
2 to 3 years	89,338	94,238
3 to 4 years	53,193	66,328
4 to 5 years	44,412	138,693
Over 5 years	94,082	73,445
	411,146	817,872

(b) Accounts receivable analysed by category were as follows:

Category	2014.06.30				2013.12.31			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to provision individually	—	—	—	—	—	—	—	—
Subject to provision by groups								
Group1	118,382	28.79	109,001	92.08	118,377	14.47	109,001	92.08
Group2	285,966	69.55	—	—	692,697	84.70	—	—
Accounts receivable which are individually insignificant but subject to provision individually	6,798	1.66	6,798	100.00	6,798	0.83	6,798	100.00
	411,146	100.00	115,799	—	817,872	100.00	115,799	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

- (c) In group 1, aging analysis of accounts receivable which are subject to provision for bad debts was as follows:

Aging	2014.06.30				2013.12.31			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Within 1 year	525	0.44	26	5.00	520	0.44	26	5.00
1 to 2 years	—	—	—	—	—	—	—	—
2 to 3 years	—	—	—	—	—	—	—	—
3 to 4 years	—	—	—	—	—	—	—	—
4 to 5 years	44,412	37.52	35,530	80.00	44,412	37.52	35,530	80.00
Over 5 years	73,445	62.04	73,445	100.00	73,445	62.04	73,445	100.00
	118,382	100.00	109,001		118,377	100.00	109,001	

- (d) There was no accounts receivable for which full provision for bad debt or a large proportion of bad debts was made on those receivable in previous periods but recovered or reversed in full or in a large proportion during the current period.
- (e) There was no accounts receivable written off during the current period.
- (f) At the end of the reporting period, there was no accounts receivable from any shareholder who is holding 5% or more voting shares of the Company.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(g) As at 30 June 2014, the top 5 largest accounts receivable were as follows:

Name of entity	Relationship with the Company	Amount	Aging	As a percentage of total accounts receivable (%)
MCC Mining (Western Australia) Pty Ltd.	Subsidiary	261,587	Within four years	63.62
Party 2	Third party	118,382	One to five years	28.79
China MCC International Economic and Trade Co., Ltd.	Subsidiary	18,294	Three to five years	4.45
Party 4	Third party	6,798	Over five years	1.66
Party 5	Third party	6,085	Within three years	1.48
		411,146		100.00

(h) Accounts receivable due from related parties

Name of entity	Relationship with the Company	2014.06.30			2013.12.31		
		Amount	As a percentage of total accounts receivable (%)	Bad debt provision	Amount	As a percentage of total accounts receivable (%)	Bad debt provision
MCC Mining (Western Australia) Pty Ltd.	Subsidiary	261,587	63.62	—	668,312	81.71	—
China MCC International Economic and Trade Co., Ltd.	subsidiary	18,294	4.45	—	18,294	2.24	—
		279,881	68.07	—	686,606	83.95	—

(i) There was no accounts receivable which meets the derecognition criteria due to the transferring of financial assets.

(j) Accounts receivable from related parties are interest-free, unsecured and repayable on demand or in accordance to the terms and conditions of the relevant contract.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Interest receivable

	2014.01.01	Increase	Decrease	2014.06.30
Subsidiaries of the Company	4,960,764	787,644	412,706	5,335,702
Less: provision for bad debts	313,344	1,728	—	315,072
	4,647,420	785,916	412,706	5,020,630

3. Dividends receivable

	2014.01.01	Increase	Decrease	2014.06.30	Reasons for not yet settlement	Impairment required
Dividends receivable aged within 1 year including:						
China ENFI Engineering Co., Ltd.	82,750	—	—	82,750	Dividend declared but not yet paid	No
CISDI Group Corp. Ltd	783,819	—	—	783,819	Dividend declared but not yet paid	No
WISDRI Engineering & Research Incorporation Limited	93,067	—	—	93,067	Dividend declared but not yet paid	No
China 22MCC Group Co., Ltd.	175,539	—	—	175,539	Dividend declared but not yet paid	No
MCC Hi-Tech Engineering Co., Ltd.	132,471	—	—	132,471	Dividend declared but not yet paid	No
Beris Group Corporation	177,484	—	106,442	71,042	Dividend declared but not yet paid	No
Northern Engineering & Technology Corporation, MCC	13,876	—	—	13,876	Dividend declared but not yet paid	No
Zhong Ye Chang Tian International Engineering Co., Ltd.	85,956	—	85,956	—	—	—
MCC Finance Corporation Ltd.	232,181	—	—	232,181	Dividend declared but not yet paid	No
MCC Overseas Ltd	20,000	—	—	20,000	Dividend declared but not yet paid	No
	1,797,143	—	192,398	1,604,745		
Dividends receivable aged over 1 year including:						
CISDI Group Corp. Ltd	152,837	—	—	152,837	Dividend declared but not yet paid	No
MCC Overseas Ltd	6,705	—	—	6,705	Dividend declared but not yet paid	No
Northern Engineering & Technology Corporation, MCC	5,797	—	—	5,797	Dividend declared but not yet paid	No
Beris Group Corporation	39,359	—	39,359	—	—	—
	204,698	—	39,359	165,339		
	2,001,841	—	231,757	1,770,084		

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables

	2014.06.30	2013.12.31
Subsidiaries of the Company	31,825,274	31,001,122
Guarantees and deposits	63,362	52,830
Receivables on disposal of investments	—	427,390
Others	331	10,200
	31,888,967	31,491,542
Less: Provision for bad debts	5,852,105	5,836,221
	26,036,862	25,655,321

(a) Aging analysis of other receivables were as follows:

Aging	2014.06.30	2013.12.31
Within 1 year	4,731,175	11,683,344
1 to 2 years	8,124,044	4,675,640
2 to 3 years	4,341,144	12,065,033
3 to 4 years	12,056,599	2,587,234
4 to 5 years	2,584,110	428,396
Over 5 years	51,895	51,895
	31,888,967	31,491,542

(b) Other receivables analysed by category were as follows:

	2014.06.30				2013.12.31			
	Book value		Provision for bad debts		Book value		Provision for bad debts	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Individually significant and subject to provision individually	8,836,603	27.71	5,800,210	65.64	8,389,190	26.64	5,784,326	68.95
Subject to provision by groups								
Group1	—	—	—	—	—	—	—	—
Group2	23,000,469	72.13	—	—	23,050,457	73.20	—	—
Other receivables which are individually insignificant but subject to provision individually	51,895	0.16	51,895	100.00	51,895	0.16	51,895	100.00
	31,888,967	100.00	5,852,105		31,491,542	100.00	5,836,221	

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

- (c) As at 30 June 2014, analysis of other receivables which are significant and subject to individual provision for bad debts was as follows:

Other receivables	Book value	Provision for bad debts	Aging	Impairment provision percentage (%)	Reason
Party 1	2,081,155	2,081,155	Within five years	100.00	(i)
Party 2	6,755,448	3,719,055	Within four years	55.05	(ii)
	<u>8,836,603</u>	<u>5,800,210</u>			

- (i) As of 30 June 2014, based on the estimated recoverable amount of accounts receivable from MCC Australia Holding Pty Ltd, the Company has made provision for bad debt amounting to RMB4,175,000 on accounts receivable from MCC Australia Holding Pty Ltd (for the period ended 30 June 2013: RMB14,898,000). In addition, due to exchange realignment, the carrying amount of other receivable from MCC Australia Holding Pty Ltd and the provision for bad debt increased by RMB11,709,000 (for the period ended 30 June 2013: decreased by RMB22,371,000).
- (ii) As of 30 June 2014, based on the estimated recoverable amount of the receivable from MCC Mining (Western Australia) Pty Ltd, the Company has not made any further provision for bad debt on receivable from MCC Mining (Western Australia) Pty Ltd (for the period ended 30 June 2013: RMB129,711,000).

- (d) As at 30 June 2014, analysis of other receivables which are insignificant individually but subject to provision for bad debts individually was as follows:

Other receivables	Book value	Provision for bad debts	Aging	Impairment provision percentage (%)	Reason
Party 1	33,306	33,306	Above five years	100.00	Impairment based on information available
Party 2	18,589	18,589	Above five years	100.00	Impairment based on information available
	<u>51,895</u>	<u>51,895</u>			

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

- (e) There is no other receivables written off during the current period.
- (f) As at 30 June 2014, there was no other receivables from any shareholder who is holding 5% or more voting shares of the Company.
- (g) As at 30 June 2014, the top 5 largest other receivables were as follows:

	Relationship with the Company	Amount	Aging	As a percentage of total other receivables (%)
MCC Real Estate Group Co., Ltd	Subsidiary	14,516,939	Within five years	45.52
MCC Mining (Western Australia) Pty Ltd	Subsidiary	6,755,448	Within four years	21.18
MCC-JJJ Mining Development Company Limited	Subsidiary	3,299,619	Within five years	10.35
MCC Australia Holding Pty Ltd.	Subsidiary	2,081,155	Within five years	6.53
China 22MCC Group Co., Ltd.	Subsidiary	1,766,505	Within three years	5.54
		<u>28,419,666</u>		<u>89.12</u>

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(h) Other receivables from related parties

	Relationship with the Company	2014.06.30			2013.12.31		
		Amount	As a percentage of total other	Bad debt provision	Amount	As a percentage of total other	Bad debt provision
			receivables (%)			receivables (%)	
MCC Real Estate Group Co., Ltd	Subsidiary	14,516,939	45.52	—	11,866,938	37.68	—
MCC Mining (Western Australia) Pty Ltd	Subsidiary	6,755,448	21.18	3,719,055	6,323,919	20.08	3,719,055
MCC-JJJ Mining Development Company Limited	Subsidiary	3,299,619	10.35	—	3,144,619	9.99	—
MCC Australia Holding Pty Ltd.	Subsidiary	2,081,155	6.53	2,081,155	2,065,271	6.56	2,065,271
China 22MCC Group Co., Ltd.	Subsidiary	1,766,505	5.54	—	1,141,505	3.62	—
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	Subsidiary	681,802	2.14	—	620,952	1.97	—
MCC Minera Sierra Grande S.A	Subsidiary	636,712	1.99	—	634,629	2.02	—
China MCC 20 Group Co., Ltd.	Subsidiary	439,366	1.37	—	1,714,445	5.44	—
China MCC International Economic and Trade Co., Ltd.	Subsidiary	240,831	0.75	—	298,831	0.95	—
MCC Hi-Tech Engineering Co., Ltd.	Subsidiary	228,968	0.72	—	228,968	0.73	—
Beris Group Corporation	Subsidiary	224,843	0.70	—	254,671	0.81	—
CISDI Group Corp. Ltd	Subsidiary	200,000	0.62	—	200,000	0.64	—
MCC-SFRE Heavy Industry Equipment Co., Ltd	Subsidiary	153,725	0.48	—	35,000	0.11	—
China First Metallurgical Group Co., Ltd	Subsidiary	146,047	0.46	—	300,866	0.96	—
Beijing MCC Equipment Research & Design Corporation Ltd.	Subsidiary	144,561	0.45	—	164,561	0.52	—
MCC Tongsin Resources Ltd.	Subsidiary	66,184	0.21	—	66,176	0.21	—
MCC Overseas Ltd	Subsidiary	61,164	0.19	—	61,160	0.19	—
Shanghai Baoye Group Corp., Ltd	Subsidiary	56,540	0.18	—	256,540	0.81	—
MCC Communication Engineering Technology Co., Ltd	Subsidiary	35,767	0.11	—	75,749	0.24	—
MCC Baosteel Technology Services Co., Ltd	Subsidiary	32,477	0.10	—	32,477	0.10	—
MCC Capital Engineering & Research Incorporation Limited	Subsidiary	20,000	0.06	—	180,000	0.57	—
MCC Holding (Hong Kong) Corporation Limited	Subsidiary	12,595	0.04	—	14,721	0.05	—
Northern Engineering & Technology Corporation, MCC	Subsidiary	6,306	0.02	—	6,300	0.02	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Other receivables (Continued)

(h) Other receivables from related parties (Continued)

	Relationship with the Company	2014.06.30			2013.12.31		
		Amount	As a percentage of total other receivables (%)	Bad debt provision	Amount	As a percentage of total other receivables (%)	Bad debt provision
Huatian Engineering & Technology Corporation, MCC	Subsidiary	5,000	0.02	—	45,000	0.14	—
China MCC 17 Group Co., Ltd.	Subsidiary	3,558	0.01	—	151,953	0.48	—
China Metallurgical Construction Engineering Group Co., Ltd.	Subsidiary	2,000	0.01	—	152,000	0.48	—
Shen Kan Engineering & Technology Corporation, MCC	Subsidiary	2,000	0.01	—	12,000	0.04	—
China MCC 19 Group Co., Ltd.	Subsidiary	1,849	0.01	—	31,849	0.10	—
MCC TianGong Group Corporation Limited	Subsidiary	1,248	0.01	—	201,248	0.64	—
China MCC 3 Group Co., Ltd.	Subsidiary	899	0.01	—	30,977	0.10	—
Shenyang Institute of Geotechnical Investigation Corporation, MCC	Subsidiary	600	0.01	—	600	—	—
Wuhan Surveying Geotechnical Research Institute Co., Ltd. of MCC	Subsidiary	310	—	—	310	—	—
China Second Metallurgical Group Corporation Limited	Subsidiary	256	—	—	30,256	0.10	—
China MCC 5 Group Co., Ltd.	Subsidiary	—	—	—	200,000	0.64	—
Central Research Institute of Building and Construction Co., Ltd., MCC Group	Subsidiary	—	—	—	150,000	0.48	—
China ENFI Engineering Co., Ltd.	Subsidiary	—	—	—	20,000	0.06	—
China Huaye Group Co., Ltd.	Subsidiary	—	—	—	150,000	0.48	—
MCC International Incorporation Ltd.	Subsidiary	—	—	—	25,424	0.08	—
Zhong Ye Chang Tian International Engineering Co., Ltd.	Subsidiary	—	—	—	41,207	0.13	—
WISDRI Engineering & Research Incorporation Limited	Subsidiary	—	—	—	70,000	0.22	—
		31,825,274	99.80	5,800,210	31,001,122	98.44	5,784,326

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS – CONTINUED

5. Long-term receivables

	2014.06.30			2013.12.31		
	Amount	Provision	Carrying amount	Amount	Provision	Carrying amount
Receivables from related parties and third parties	11,168,701	174,192	10,994,509	11,108,614	162,903	10,945,711
Others	9,950	—	9,950	83,317	—	83,317
	11,178,651	174,192	11,004,459	11,191,931	162,903	11,029,028
Less: Current portion of non-current assets	2,089,950	—	2,089,950	2,163,317	—	2,163,317
	9,088,701	174,192	8,914,509	9,028,614	162,903	8,865,711

As of 30 June 2014, due to exchange realignment, the carrying amount of long-term receivable from MCC Australia Holding Pty Ltd and the provision for bad debt increased by RMB11,289,000 (as at 31 December 2013: decreased by RMB33,186,000).

6. Long-term equity investments

The breakdown of long-term equity investments was as follows:

	2014.06.30	2013.12.31 (Restated)
Subsidiaries (a)	69,467,900	68,203,394
Associates (b)	113,146	113,186
	69,581,046	68,316,580
Less: Provision for impairment of Long-term equity investments	273,594	273,594
	69,307,452	68,042,986

There is no significant risk on realization of long-term equity investments by the Company.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investment (Continued)

(a) Subsidiary

	Accounting method	Initial investment		Movements	2014.06.30	Percentage of shareholding in the investee (%)	Percentage of voting rights in the investee (%)	Reason for the differences between percentages of shareholding and voting rights		Provision for impairment losses	Provision for impairment losses for the current period	Cash dividends for the current period
		2014.01.01	cost					Provision for impairment losses	Provision for impairment losses for the current period			
China First Metallurgical Group Co., Ltd	cost method	1,845,761	1,845,761	—	1,845,761	93.07	93.07	N/A	—	—	—	—
China Second Metallurgical Group Corporation Limited	cost method	662,835	662,835	—	662,835	100.00	100.00	N/A	—	—	—	—
China MCC 3 Group Co., Ltd.	cost method	900,096	900,096	—	900,096	100.00	100.00	N/A	—	—	—	—
China MCC 5 Group Co., Ltd.	cost method	1,601,842	1,601,842	—	1,601,842	98.58	98.58	N/A	—	—	—	—
China 13th Metallurgical Construction Corporation	cost method	372,399	372,399	—	372,399	100.00	100.00	N/A	—	—	—	—
China MCC 17 Group Co., Ltd.	cost method	1,013,593	1,013,593	—	1,013,593	66.70	66.70	N/A	—	—	—	—
China MCC 19 Group Co., Ltd	cost method	2,304,357	2,304,357	—	2,304,357	100.00	100.00	N/A	—	—	—	—
China MCC 20 Group Co., Ltd.	cost method	1,680,279	1,680,279	—	1,680,279	69.00	69.00	N/A	—	—	—	—
China 22MCC Group Co., Ltd.	cost method	3,407,199	3,407,199	—	3,407,199	100.00	100.00	N/A	—	—	—	—
Anshan Engineering & Research Incorporation of Metallurgical Industry	cost method	69,386	69,386	—	69,386	100.00	100.00	N/A	—	—	—	—
Beijing Central Engineering and Research Incorporation of Iron & Steel Industry Ltd.	cost method	370,541	370,541	—	370,541	100.00	100.00	N/A	—	—	—	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investment (Continued)

(a) Subsidiary (Continued)

	Accounting method	Initial investment		Movements	2014.06.30	Percentage of shareholding in the investee (%)	Percentage of voting rights in the investee (%)	Reason for the differences between percentages of shareholding and voting rights	Provision for impairment losses for the current period	Cash dividends for the current period
		cost	2014.01.01					Provision for impairment losses	Provision for impairment losses for the current period	for the current period
Shanghai Baoye Group Corp., Ltd	cost method	3,787,511	3,787,511	—	3,787,511	97.93	97.93	N/A	—	—
CISDI Group Corp. Ltd	cost method	3,668,886	3,668,886	—	3,668,886	100.00	100.00	N/A	—	—
Changsha Metallurgical Design & Research Institute Co., Ltd.	cost method	167,120	167,120	—	167,120	100.00	100.00	N/A	—	—
China Huaye Group Co., Ltd.	cost method	1,160,113	1,160,113	—	1,160,113	100.00	100.00	N/A	—	—
Anshan Coking and Refractory Engineering Consulting Corporation	cost method	96,608	96,608	—	96,608	100.00	100.00	N/A	—	—
Central Research Institute of Building and Construction Co., Ltd., MCC Group	cost method	2,053,939	2,053,939	—	2,053,939	100.00	100.00	N/A	—	—
MCC Maanshan I&S Design and Research Institute Co., Ltd	cost method	61,421	61,421	—	61,421	100.00	100.00	N/A	—	—
Ramu NiCo Management (MCC) Limited	cost method	3	3	—	3	100.00	100.00	N/A	—	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investment (Continued)

(a) Subsidiary (Continued)

	Accounting method	Initial investment		Movements	2014.06.30	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Reason for the differences between percentages of shareholding and voting rights		Provision for impairment losses for the current period	Cash dividends for the current period
		2014.01.01	cost					Provision for impairment losses	Provision for impairment losses for the current period		
Beijing MCC Equipment Research & Design Corporation Ltd.	cost method	473,303	473,303	—	473,303	100.00	100.00	N/A	—	—	—
Shenyang Institute of Geotechnical Investigation Corporation, MCC	cost method	102,914	102,914	—	102,914	100.00	100.00	N/A	—	—	—
Wuhan Iron and Steel Design & Research Incorporation Limited	cost method	234,734	234,734	—	234,734	100.00	100.00	N/A	—	—	—
China ENFI Engineering Co., Ltd.	cost method	4,310,884	4,310,884	—	4,310,884	100.00	100.00	N/A	—	—	—
MCC Minera Sierra Grande S.A	cost method	717,024	717,024	—	717,024	70.00	70.00	N/A	—	—	—
MCC Australia Holding Pty Ltd.	cost method	48,227	48,227	—	48,227	100.00	100.00	N/A	48,227	—	—
Northern Engineering & Technology Corporation, MCC	cost method	756,885	756,885	—	756,885	90.76	90.76	N/A	—	—	—
MCC Baosteel Technology Services Co., Ltd	cost method	1,091,924	1,091,924	—	1,091,924	59.65	59.65	N/A	—	—	—
Zhong Ye Chang Tian International Engineering Co., Ltd.	cost method	824,010	738,054	85,956	824,010	91.66	91.66	N/A	—	—	—
MCC Finance Corporation Ltd.	cost method	1,351,790	1,351,790	—	1,351,790	86.13	86.13	N/A	—	—	—
Beris Group Corporation	cost method	774,227	628,425	145,802	774,227	100.00	100.00	N/A	—	—	—
MCC International Incorporation Ltd.	cost method	110,804	110,804	—	110,804	100.00	100.00	N/A	—	—	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investment (Continued)

(a) Subsidiary (Continued)

	Accounting method	Initial investment		Movements	2014.06.30	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Reason for the differences between percentages of shareholding and voting rights		Provision for impairment losses for the current period	Cash dividends for the current period
		cost	2014.01.01					Provision for impairment losses	Provision for impairment losses for the current period		
China MCC International Economic and Trade Co., Ltd.	cost method	69,392	69,392	—	69,392	54.58	54.58	N/A	—	—	—
MCC Seawater Desalination Investment Co., Ltd.	cost method	50,000	50,000	—	50,000	100.00	100.00	N/A	—	—	—
Huatian Engineering & Technology Corporation, MCC	cost method	1,321,000	1,321,000	—	1,321,000	84.68	84.68	N/A	—	—	—
MCC Overseas Ltd	cost method	126,518	126,518	—	126,518	100.00	100.00	N/A	—	—	—
MCC Capital Engineering & Research Incorporation Limited	cost method	6,799,653	6,799,653	—	6,799,653	87.00	87.00	N/A	—	—	—
China Metallurgical Construction Engineering Group Co., Ltd.	cost method	1,185,910	1,185,910	—	1,185,910	100.00	100.00	N/A	—	—	—
MCC-JJJ Mining Development Company Limited	cost method	2,849,805	2,849,805	—	2,849,805	67.02	67.02	N/A	—	—	—
ACRE Coking & Refractory Engineering Consulting Corporation, MCC	cost method	1,801,938	1,801,938	—	1,801,938	86.83	86.83	N/A	—	—	—
MCC Hi-Tech Engineering Co., Ltd.	cost method	916,644	916,644	—	916,644	100.00	100.00	N/A	—	—	—
MCC Communication Engineering Technology Co., Ltd.	cost method	677,711	677,711	—	677,711	100.00	100.00	N/A	—	—	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investment (Continued)

(a) Subsidiary (Continued)

	Accounting method	Initial investment cost	2014.01.01	Movements	2014.06.30	Reason for the differences between percentages			Provision for impairment losses for the current period	Cash dividends for the current period
						Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	of shareholding and voting rights		
MCC Holding (Hong Kong) Corporation Limited	cost method	6,485	6,485	—	6,485	100.00	100.00	N/A	—	—
MCC (Guangxi) Mawu Expressway Construction & Development Co., Ltd.	cost method	1,591,180	1,591,180	—	1,591,180	100.00	100.00	N/A	—	—
WSDRI Engineering & Research Incorporation Limited	cost method	5,158,678	5,158,678	—	5,158,678	82.56	82.56	N/A	—	—
Shen Kan Engineering & Technology Corporation, MCC	cost method	67,058	67,058	—	67,058	100.00	100.00	N/A	—	—
MCC-SFRE Heavy Industry Equipment Co., Ltd	cost method	1,110,635	1,110,635	—	1,110,635	71.47	71.47	N/A	—	—
MCC TianGong Group Corporation Limited	cost method	2,015,650	2,015,650	—	2,015,650	98.53	98.53	N/A	—	—
MCC Tongsin Resources Ltd.	cost method	3,433,927	3,360,379	73,548	3,433,927	100.00	100.00	N/A	—	—
Wuhan Surveying & Geotechnical Research Institute Co., Ltd. of MCC	cost method	223,777	223,777	—	223,777	100.00	100.00	N/A	—	—
MCC Mining (Western Australia) Pty Ltd	cost method	126,807	126,807	—	126,807	100.00	100.00	N/A	126,807	—
MCC Real Estate Group Co., Ltd	cost method	3,914,517	2,955,317	959,200	3,914,517	100.00	100.00	N/A	—	—
		69,467,900	68,203,394	1,264,506	69,467,900				175,034	—

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Long-term equity investment (Continued)

(b) Details of associates are as follows:

Accounting method	Initial investment cost	2014.01.01	Increase/(decrease) in investment	Share of (losses)/ profits	Declaration of cash dividends	Other equity movements	Increase/(decrease) during the period		2014.06.30	Percentage of shareholding in the investee (%)	Percentage of voting right in the investee (%)	Reason for the differences between percentage of shareholding and voting rights	Provision for impairment losses for the current period
MCC Xiangxi Mining Industry Co., Ltd	Equity method	118,733	113,186	—	(40)	—			113,146	50	50	—	—

According to the result of impairment assessment, the Company has made impairment provision on equity investment in the associate of RMB98,560,000 in 2013. As the business operations and performance of MCC Xiangxi Mining Industry Co., Ltd in the current period did not have any significant changes compared to the past, the Company is of the view that no further impairment provision should be made on equity investment in MCC Xiangxi Mining Industry Co., Ltd. for the current period.

(c) Details of provisions for impairment were as follows:

	2014.01.01	Increase	Decrease	2014.06.30
MCC Australia Holding Pty Ltd.	48,227	—	—	48,227
MCC Mining (Western Australia) Pty Ltd	126,807	—	—	126,807
MCC Xiangxi Mining Industry Co., Ltd.	98,560	—	—	98,560
	273,594	—	—	273,594

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

7. Short-term borrowings

(a) Classified by category:

	2014.06.30			2013.12.31		
	Foreign currency	Exchange rates	RMB	Foreign currency	Exchange rates	RMB
RMB	—	—	17,818,870	—	—	15,469,515
USD	123,000	6.1528	756,794	75,000	6.0969	457,268
HKD	—	—	—	—	—	—
Other currency	7,405	21.9125	162,262	3,137	21.7580	68,255
			18,737,926			15,995,038

As at 30 June 2014, the weighted average interest rate of short-term borrowings was 5.59% per annum (as at 31 December 2013: 5.67% per annum).

(b) As at 30 June 2014, there were no significant short-term borrowings overdue but not yet repaid.

8. Other payables

	2014.06.30	2013.12.31
Subsidiaries of the Company	7,628,531	6,294,224
Other related parties of the Group	368,471	368,916
Others	83,346	92,643
	8,080,348	6,755,783

(a) Amount due to shareholder who is holding 5% or more of the Company's voting rights was as follows:

	2014.06.30	2013.12.31
China Metallurgical Group Corporation	—	343

(b) As at 30 June 2014, other payables aged over one year were RMB70,883,000 (as at 31 December 2013: RMB64,776,000), mainly including guarantees and deposits payable. The guarantees and deposits payable are unsettled because their settlement dates are not yet due.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

9. Non-current liabilities due within one year

	2014.06.30	2013.12.31
Long-term borrowings due within one year (a)	735,000	560,000
Long-term provisions due within one year (supplementary retirement benefits)	4,154	4,154
	739,154	564,154

(a) Long-term borrowings due within one year

	2014.06.30	2013.12.31
Guaranteed loans	60,000	60,000
Unsecured and non-guaranteed loans	675,000	500,000
	735,000	560,000

During the current period, there was no extension of loan repayment dates for the loans which were overdue.

- (i) As at 30 June 2014, details of pledged loans, mortgaged loans and guaranteed loans were set out as follows:

Guaranteed loans

	Balance	Guarantor
Party 1	60,000	MCC Finance Corporation Ltd.

- (ii) The top five largest long-term borrowings due within one year

Term	Loan inception date	Loan maturity date	Currency	Interest rate	2014.06.30	2013.12.31
Party 1	29/09/2011	28/09/2014	RMB	6.55	450,000	450,000
Party 2	19/07/2013	18/01/2015	RMB	4.76	200,000	200,000
Party 1	29/12/2005	20/11/2014	RMB	6.40	30,000	30,000
Party 1	29/12/2005	20/05/2015	RMB	7.05	30,000	30,000
Party 1	24/10/2007	25/09/2014	RMB	6.14	25,000	50,000
					735,000	760,000

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

10. Long-term borrowings

	2014.06.30			2013.12.31		
	Foreign currency	Exchange rates	RMB	Foreign currency	Exchange rates	RMB
Guaranteed loans						
RMB	—	—	210,000	—	—	240,000
USD	—	—	—	—	—	—
SGD	—	—	—	—	—	—
Other currency	—	—	—	—	—	—
			210,000			240,000
Unsecured and non-guaranteed loans						
RMB	—	—	4,492,460	—	—	2,050,000
USD	371,138	6.1528	2,283,539	214,200	6.0969	1,305,956
SGD	—	—	—	—	—	—
Other currency	—	—	—	—	—	—
			6,775,999			3,355,956
			6,985,999			3,595,956

As at 30 June 2014, certain guaranteed loans of RMB210,000,000 (as at 31 December 2013: RMB240,000,000) were guaranteed by MCC Finance Corporation Ltd.

(a) The top five largest long-term borrowings (excluding amount due within one year)

	Loan inception date	Loan maturity date	Currency	Interest rate (%)	2014.06.30		2013.12.31	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Party 1	27/06/2014	27/06/2017	RMB	4.20%	—	1,800,000	—	—
Party 2	08/05/2014	08/11/2016	USD	5.80%	156,938	965,609	—	—
Party 3	28/04/2009	27/04/2033	USD	Libor rate+330BP	134,200	825,706	134,200	818,204
Party 2	20/11/2013	19/11/2016	RMB	5.30%	—	800,000	—	800,000
Party 2	20/11/2013	19/11/2016	RMB	5.30%	—	700,000	—	700,000
					5,091,315			2,318,204

As at 30 June 2014, the weighted average interest rate of long-term loans were 5.40% per annum (as at 31 December 2013: 4.90% per annum).

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Bonds payable

	2014.01.01	Increase	Decrease	2014.06.30
Corporate debentures	2,704,000	—	—	2,704,000
Corporate medium-term notes	14,870,737	47,906	—	14,918,643
	17,574,737	47,906	—	17,622,643

Name of bonds	Par value	Issue date	Term	Issue price	30 June 2014
Corporate Debentures	3,500,000	23/07/2008	10 years	3,500,000	2,704,000
Corporate Medium-term Notes	10,000,000	19/09/2010	10 years	9,971,110	10,189,603
Corporate Medium-term Notes	4,700,000	15/11/2010	5 years	4,686,400	4,729,040
Short-term Debentures	3,900,000	12/07/2013	1 year	3,900,000	3,900,000
Extra Short-term Debentures	3,500,000	11/02/2014	180 days	3,500,000	3,500,000
Extra Short-term Debentures	3,500,000	13/03/2014	180 days	3,500,000	3,500,000
	29,100,000			29,057,510	28,522,643

Less: Bonds payable classified as other current liabilities

Debentures	Par value	Issue date	Term	Issue price	30 June 2014
Short-term Debentures	3,900,000	12/07/2013	1 year	3,900,000	3,900,000
Extra Short-term Debentures	3,500,000	11/02/2014	180 days	3,500,000	3,500,000
Extra Short-term Debentures	3,500,000	13/03/2014	180 days	3,500,000	3,500,000
	10,900,000			10,900,000	10,900,000
Total					17,622,463

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

11. Bonds payable (Continued)

Details of interests payable:

	Opening balance	Accrual	Paid	Closing balance
Debentures	682,025	781,896	524,937	938,984

The details information about the debentures above are set out in note V(40).

12. Operating income and operating costs

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Principal operating income	707,956	341,881
Other operating income	—	51,282
	707,956	393,163
Principal operating costs	706,465	335,643
Other operating costs	—	51,282
	706,465	386,925

(a) Principal operating activities

Classified by industries:

	2014.01.01-2014.06.30		2013.01.01-2013.06.30	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Engineering and construction	707,956	706,465	341,881	335,643

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

12. Operating income and operating costs (Continued)

(a) Principal operating activities (Continued)

Classified by geographic locations:

	2014.01.01-2014.06.30		2013.01.01-2013.06.30	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
China	—	—	—	—
Other countries/regions	707,956	706,465	341,881	335,643
	707,956	706,465	341,881	335,643

(b) Other operating activities

	2014.01.01-2014.06.30		2013.01.01-2013.06.30	
	Principal operating income	Principal operating costs	Principal operating income	Principal operating costs
Selling materials	—	—	51,282	51,282

(c) Operating revenue from the top five largest customers of the Company

The amount of operating revenue from the Company's largest customer was RMB698,799,000 (2013.01.01-2013.06.30: RMB238,479,000), accounting for 98.71% of the total operating income of the Company (2013.01.01-2013.06.30: 60.66%).

13. Impairment losses on assets

	2014.01.01-2014.06.30	2013.01.01-2013.06.30
Provision for bad debt	28,901	144,609
Impairment loss on long-term equity investments	—	103,993
	28,901	248,602

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

14 Supplementary information to the cash flow statement

(a) Reconciliation of net loss to cash flows from operating activities

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Net loss	(704,726)	(876,769)
Add: Provision for impairment losses of assets	28,901	248,602
Depreciation of fixed assets	4,772	5,297
Amortisation of investment properties	2,009	1,653
Amortisation of intangible assets	1,427	1,280
Amortisation of long-term prepaid expenses	—	297
Losses on written-off of fixed assets	24	171
Financial expenses	611,776	565,697
Losses arising from investments	40	—
Decrease/(increase) in inventories	(101,721)	318,030
Decrease in receivables from operating activities	370,755	463,798
Decrease in payables from operating activities	(587)	(856,357)
Net cash flows from operating activities	212,670	(128,301)

(b) The Company did not have any significant non-cash investing and financing activities during the current period.

(c) Net changes in cash and cash equivalents

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Closing balance of cash	4,229,278	4,442,158
Less: Opening balance of cash	6,494,604	9,211,104
Net decrease in cash and cash equivalents	(2,265,326)	(4,768,946)

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (Continued)

14 Supplementary information to the cash flow statement (Continued)

(d) Cash and cash equivalents

	2014.06.30	2013.12.31
Cash	4,229,278	6,494,604
Including: Cash on hand	943	238
Bank deposits without restriction	4,228,335	6,494,366
Other monetary funds without restrictions	—	—
Cash equivalents	—	—
Including: Investment in debt securities due within three months	—	—
Closing balance of cash and cash equivalents	4,229,278	6,494,604

XVI. APPROVAL OF THE FINANCIAL STATEMENTS

The Company and consolidated financial statements had been approved by the Board of Directors of the Company on 29 August 2014.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014

(all amounts in RMB'000 unless otherwise stated)

XVII.SUPPLEMENTARY INFORMATION

(1) Breakdown of non-recurring profit or loss

	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Profit or loss on disposal of non-current assets	5,946	158,693
Government grants recognized in profit or loss	502,502	247,350
Profit or loss arising from contingencies other than those related to normal operating business	—	(4,550)
Net losses from debt restructuring	(8,097)	(2,315)
Investment income on disposal of long-term equity investments	30	484,269
Profit or loss on changes in the fair value of held-for-trading financial assets and held-for-trading financial liabilities and investment income on disposal of held-for-trading financial assets, held-for-trading financial liabilities and available-for-sale financial assets, other than those used in the effective hedging activities relating to normal operating business	14,403	9,033
Profit on external entrusted loans	4,960	2,854
Other non-operating income or expenses other than the above items	(43,865)	(705)
Subtotal	475,879	894,629
Less: Impact on income tax	74,891	207,017
Impact on non-controlling interests (after tax)	20,067	46,468
	380,921	641,144

The basis of preparation of the breakdown of non-recurring profit or loss

According to 'Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 1-Non-recurring Profit or Loss [2008]', non-recurring profit or loss refers to profit or loss items resulted from the transactions and issues which are not related to the principal business activities of the company, or those related to the principal business activities of the company which otherwise would affect the readers of the financial statements on accurate judgment of the company's financial results and profitability due to the exceptional and non-recurring in nature of the transactions and issues.

Notes to the Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2014
(all amounts in RMB'000 unless otherwise stated)

XVII.SUPPLEMENTARY INFORMATION (Continued)

(2) Return on net assets and earnings per share ("EPS")

	EPS					
	Weighted average return on net assets (%)		Basic EPS		Diluted EPS	
	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30
Net profit attributable to ordinary shareholders of the Company	4.00	3.52	0.09	0.08	—	—
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	3.16	2.00	0.07	0.04	—	—

(3) Changes of financial statements items ("F/S items") and description of reasons

Items	2014.06.30	2013.12.31	Change by %	Reasons for the changes
Other receivables	20,465,554	13,844,812	47.82	Increase in retention receivable of real estate sector
Notes payable	12,163,055	7,610,246	59.82	Increase in bank acceptance bill payables caused by the change of some subsidiaries' settlement method
Dividends payable	1,870,554	798,649	134.21	Increase in the unpaid dividends declared but not yet paid
Other current liabilities	10,957,075	18,927,212	-42.11	Repayment of short-term bonds
Exchange fluctuation reserve	(353,633)	(200,572)	76.31	Effect of exchange rate changes of the functional currency of overseas subsidiaries

Items	2014.01.01- 2014.06.30	2013.01.01- 2013.06.30	Change by %	Reasons for the changes
Financial expenses	1,632,237	2,507,110	-34.90	Combined effect of both exchange gains and reduction of interest expense
Impairment losses of assets	1,094,026	596,588	83.38	Increase in impairment loss of inventories and accounts receivable
Operating profit	2,721,127	1,998,936	36.13	Reduction of both operating expenses and taxes
Total profit	3,177,613	2,397,409	32.54	Operating profit increased substantially
Net profit	1,961,506	1,357,305	44.51	Total profit increased substantially

Definitions and Glossary of Technical Terms

DEFINITIONS

2013 AGM	the 2013 annual general meeting of the Company held on 27 June 2014
Articles of Association	Articles of Association of Metallurgical Corporation of China Ltd.*
A Share(s)	the domestic shares, with a nominal value of RMB1.00 each in the ordinary share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in RMB
Board	the board of Directors of the Company
China or PRC	the People's Republic of China, excluding, for purposes of this document only, Hong Kong, Macao and Taiwan
controlling shareholder	has the meaning ascribed thereto under the Hong Kong Listing Rules
connected person(s)	connected party/parties under A Share listing requirements and connected person(s) under Listing Rules of H Shares
Corporate Governance Code	the revised Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules with effect from 1 April 2012
CSRC	the China Securities Regulatory Commission
Director(s)	the director(s) of the Company, including all executive, non-executive and independent non-executive Directors
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
HK\$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the People's Republic of China
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Definitions and Glossary of Technical Terms

independent Director or independent non-executive Director	a director who is independent of the Shareholders of the Company and is not an employee of the Company, has no material business connections or professional connections with the Company or its management and is responsible for exercising independent judgment over the Company's affairs
MCC, our Company, the Company	means Metallurgical Corporation of China Ltd.*, a joint stock limited company with limited liability incorporated under the laws of the PRC on 1 December 2008 or, where the context refers to any time prior to its incorporation, the businesses which its predecessors were engaged in and which were subsequently assumed by it pursuant to the Parent reorganisation
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Hong Kong Listing Rules
MCC Group, Parent	China Metallurgical Group Corporation
Parent Group	China Metallurgical Group Corporation and its subsidiaries (except MCC)
Renminbi or RMB	Renminbi, the lawful currency of the PRC
Reporting Period	from 1 January 2014 to 30 June 2014
SASAC	the State-owned Assets Supervision and Administration Commission of the State Council
SFO or Securities and Futures Ordinance	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shanghai Stock Exchange	the Shanghai Stock Exchange
Shareholder(s)	holder(s) of share(s) of the Company
State Council	the State Council of the People's Republic of China
Stock Exchange, Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of Metallurgical Corporation of China Ltd.*

Definitions and Glossary of Technical Terms

TECHNICAL TERMS

BT	Build-Transfer, a business model in which the contractor undertakes the financing of construction expenditures and transfers the project back to the proprietor upon completion and inspection for acceptance and the proprietor will pay the contractor for such construction expenditures, financing costs and return on project in instalments pursuant to relevant agreements
dry metric ton	the mineral weight excluding moisture
EPC	commissioned by the owner to contract such project work as design, procurement, construction and trial operations pursuant to the contract and be responsible for the quality, safety, timely delivery and cost of the project
exploration	activity to prove the location, volume and quality of a mineral occurrence
design	application of engineering theories and techno-economic approaches, based on the prevailing technical standards, for conducting all-round design (including requisite non-standardised equipment design) and techno-economic analysis on newly constructed, expansion and reconstruction projects in respect of their technical process, land construction, civil works and environmental works; provision of design papers and blueprints as the basis for construction work
steel structure	a structure composed of various steel materials connected with each other through welding or bolted joints, which is widely used in industry, civil construction, railways, highways, bridges, power station structural frames, power transmission tower structures, television broadcasting towers, offshore oil platforms, gas pipes, urban infrastructure, national defense construction, and other areas
smelting	a pyro-metallurgical process of separating metal by fusion from those impurities with which it is chemically combined or physically mixed in ores

* For identification purpose only



Address: No. 28 Shuguang Xili, Chaoyang District, Beijing, China
Website: www.mccchina.com
Tel: + 86 -10 - 5986 8666
Fax: + 86 -10 - 5986 8999
Postal Code: 100028
E-mail: ir@mccchina.com